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MEXICO

MEXICO IN THE 1980's: A NEW REGIONAL POWER	<i>Bruce Bagley</i>	353
AGRARIAN REFORM IN MEXICO	<i>John J. Bailey</i>	357
REFORMA POLITICA IN MEXICO	<i>John Foster Leich</i>	361
POPULATION AND MIGRATION PROBLEMS IN MEXICO	<i>Marvin Alisky</i>	365
MEXICO'S POOR	<i>Salvatore Bizzarro</i>	370
MEXICO'S ECONOMIC DEVELOPMENT PLAN	<i>James H. Street</i>	374
OIL AND POLITICS IN MEXICO	<i>George W. Grayson</i>	379
BOOK REVIEWS • <i>On Mexico</i>		384
CURRENT DOCUMENT • <i>U.S. Policy on Mexican Immigration</i>		385
THE MONTH IN REVIEW • <i>Country by Country, Day by Day</i>		395
MAP • <i>Mexico</i>		Inside Back Cover

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Agatha S.Y. Wong-Fraser is the author of "China's Nuclear Deterrent," in our September, 1981, issue. She was incorrectly identified on our September cover; we regret the error.

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Current History

NOVEMBER, 1981

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How is Mexico's economy changing? What new elements are evident in Mexico's foreign policy? In this issue, seven specialists offer a penetrating analysis of Mexico today and its new relationship with the rest of the world. As our introductory article points out, "Most fundamental, the decline of United States economic, political-ideological and military hegemony throughout Latin America and the Caribbean over the 1970's in comparison with the decades of the 1950's and 1960's has enabled Mexico to assume an independent role in hemispheric affairs."

Mexico in the 1980's: A New Regional Power

BY BRUCE BAGLEY

*Assistant Professor of Latin American Studies, School of Advanced International Studies,
Johns Hopkins University*

OVER the course of President José López Portillo's *sexenio* (1976-1982), Mexico emerged from the ranks of minor actors in hemispheric affairs to become a major regional power able to design and implement an independent foreign policy. In the past, Mexico frequently assumed foreign policy positions rhetorically at odds with the policies of its dominant northern neighbor. Thus Mexico supported Jacobo Arbenz Guzmán in Guatemala in the 1950's, opposed the Organization of American States embargo of Cuba and OAS intervention in the Dominican Republic in the mid-1960's, and supported Salvador Allende Gossens in Chile in the early 1970's. But before the upheaval in Nicaragua in the late 1970's, Mexican leaders had never been able to underwrite their foreign policy pronouncements with the economic resources needed to give them real meaning.

With regard to Nicaragua, however, the López Portillo administration has proved willing and able to provide substantial levels of aid to the revolutionary Sandinista government, and it has done so despite President Ronald Reagan's general antagonism toward the Nicaraguan revolution and despite an

explicit United States decision to suspend economic and food aid to the Sandinista regime. This new ability to back rhetoric with resources differentiates Mexican foreign policy under López Portillo from past Mexican foreign policy and underlies Mexico's transformation from a minor actor in hemispheric affairs into a regional power.

The principal factor in Mexico's rise to regional power status is without question the country's recent oil boom, a boom that has coincided almost exactly with López Portillo's term in office. Between 1970 and 1974, Mexico was a net importer of petroleum. In 1976, the year López Portillo was inaugurated, Mexico's revenues from petroleum exports were minimal. By September, 1981, however, the country was exporting approximately 1.2 million barrels of oil per day (bpd), making Mexico the fourth largest oil exporter in the world, with earnings projected to be between \$US15 billion and \$20 billion in 1981.¹ As the first Mexican President to enjoy the economic benefits of huge petroleum export revenues, López Portillo enjoys more foreign policy options than his predecessors.

But although it is of critical importance, oil is not the only factor involved in Mexico's recent rise to regional power; in spite of severe and continuing economic problems, the Mexican economy has expanded and diversified considerably over the last two decades. During the 1960's, Mexico's annual growth rate averaged an impressive 7.0 percent, while in the slower growth years of the 1970's, it sustained a respectable 5.0 percent average. Mexico is no longer the backward and agrarian nation that it was a generation or two ago. It is, rather, a middle-income

¹For a discussion of Mexican petroleum policy during the 1970's, see George W. Grayson, *The Politics of Mexican Oil* (Pittsburgh: University of Pittsburgh Press, 1980). For statistics on Mexico's current production and exports see President José López Portillo's fifth State of the Union Address delivered on September 1, 1981, which is reprinted in full in *El Excelsior*, September 2, 1981. PEMEX's activities in 1980 are reported in *Comercio Exterior*, vol. 27, no. 4 (April, 1981), pp. 134-142.

country with an economy of growing complexity and industrial capacity. During the 1960's, Mexican industry grew at the remarkable rate of more than 9.0 percent a year, while in the 1970's, it managed the more moderate but still respectable rate of 6.0 percent per annum. In 1978, industry contributed 37 percent of gross domestic product (GDP) (up from 29 percent in 1960), while the service sector accounted for 52 percent (down from 55 percent in 1960), and agriculture accounted for only 11 percent (down from 16 percent in 1960).²

Thus López Portillo inherited not only oil power but also a relatively sophisticated economy, well advanced along the path of industrialization (of a dependent and associated type, to be sure, but industrialization, nonetheless). As a result, contemporary Mexico, to a far greater extent than other oil-rich nations—Iran, Saudi Arabia, Nigeria or even Venezuela—is able to support its foreign policy commitments with more than just oil and money (neither of which should be denigrated as tools of international relations); it can also provide sorely needed technical expertise to the relatively underdeveloped countries of the Caribbean basin.

For example, there are about 400 Mexican technical experts assisting the Sandinista government in Nicaragua in areas ranging from agronomy through medicine to petroleum engineering. Only Cuba, with perhaps 2,000 doctors, teachers, military advisers and the like, has a larger "technical" presence in that country. In the same vein, PEMEX (Mexico's state-owned petroleum company) has recently undertaken to use Mexican technology and technicians to explore for petroleum in Cuba's maritime platform, reportedly with considerable success.³

Although petroleum and the growing diversity and sophistication of the Mexican economy are key elements in the country's rise to regional power, internal factors alone do not account for the dramatic expansion of Mexico's presence in the Caribbean basin under President López Portillo. Mexico has changed internally over the last decade, and so has the interna-

tional environment. Most fundamental, the decline of United States economic, political-ideological, and military hegemony throughout Latin America and the Caribbean over the 1970's in comparison with the decades of the 1950's and 1960's has enabled Mexico to assume an independent role in hemispheric affairs.⁴

To explain this relative decline in United States dominance, some analysts have pointed to the "Vietnam Syndrome," a failure of "national will," and a Soviet-Cuban buildup in the Caribbean basin. Others have emphasized negative long-run economic trends, like the 1973 and 1979 energy crises, chronic inflation, cyclical recession, declining productivity and increasing competition from West Europe, Japan and selected third world nations. All explanations or combinations of explanations lead to the same basic conclusion: today Mexico faces an increasingly "Gaullist" or "balkanized" international system⁵ in which it is not only possible but imperative for Mexico to assume a more assertive role to protect and foster its national interests. The dissolution of the *Pax Americana* is nowhere more in evidence nor more threatening to Mexico than in Central America and the Caribbean.

Mexico's ability to assume a major role in the current Central American crisis does not, however, explain why Mexico's leadership has chosen to use its resources and influence as it has. The explanation lies in the way Mexicans interpret their own national interests in the present international context and how they evaluate the costs involved in pursuing various policy options. Similarly, the perception that Mexico has become a regional power clarifies little or nothing about the constraints that are placed on Mexico's foreign policy by the interplay of domestic and foreign factors.

MEXICAN NATIONAL INTERESTS

In Washington, D.C., policymaking circles, Republican as well as Democratic, the common (although fundamentally erroneous) assumption underlying most analyses of United States-Mexican relations holds that Mexican national interests are essentially identical with American interests, at least on the "big" issues. In theory, this commonality of interests is based on factors like geographical proximity (a 2,000-mile-long undefended border), economic complementarity (capitalist, market-oriented systems characterized by a high degree of interdependence), political compatibility (pro-democratic, anti-Communist), and common security concerns (opposition to Soviet-Cuban expansionism). From this assumption flow policy recommendations like the "North American Common Market" idea advocated by Republican candidate Ronald Reagan and Democratic candidate Jerry Brown during the 1980 United States presidential campaign, or the "mini-Marshall" plan

²See The World Bank, *World Development Report, 1980* (Washington, D.C.: The World Bank, 1980), p. 115.

³For details on Mexican technical assistance to Nicaragua, see *The Washington Post*, May 13, 1981, p. A1 & A14. For a report on Mexican cooperation with the Cubans in the field of petroleum exploration see *ibid*, February 8, 1981, A25.

⁴For an analysis of the decline of United States hegemony in the region and a discussion of the policy options open to the U.S. at the outset of the 1980's, see A.F. Lowenthal and A. Fishlow, *Latin America's Emergence: Toward a U.S. Response* (New York: Foreign Policy Association, Headline Series 243, 1979), pp. 5-26 and *passim*.

⁵The increasingly "Gaullist" nature of the contemporary international system is discussed in Michael M. Harrison, "Reagan's World," in *Foreign Policy*, no. 43 (summer, 1981), pp. 3-16.

launched by President Reagan's Secretary of State Alexander M. Haig Jr. in May, 1981.

The cool reception that greeted both these proposals in Mexico City bewildered Washington. Similarly, Mexico's refusal to join the General Agreement on Tariffs and Trade (GATT), its close diplomatic ties with Cuba, its support for the Nicaraguan revolution, and its recent (August, 1981) "recognition" of the guerrilla opposition in El Salvador (in conjunction with France) have also confused and often exasperated United States policymakers. Mexico's failure to identify its interests with those of the United States is usually explained by the United States in psychological terms: thus the argument that Mexican foreign policy is the product of an immature and emotional anti-Americanism, or that it reflects the Mexican politicians' need to reaffirm their macho images.

A second, increasingly common line in the United States portrays Mexican policymakers as misguided, mistaken, naive, ignorant of the full extent of Cuban and Soviet subversion in the hemisphere, and unaware of the dangers of Communist infiltration to the stability of Mexico. Both these "explanations" of Mexico's behavior refuse to entertain the possibility that Mexico's national interests may in some cases differ significantly from those of the United States.

NATIONAL SECURITY

In Mexico (as in the United States), it is not clear exactly what national interests are, much less which foreign policies are most likely to secure them. Nevertheless, there is a relatively high degree of consensus among Mexican elites on several key elements. In terms of national security, there is a perception that the principal threat to Mexico is not Soviet-Cuban subversion, as the Reagan administration has claimed, but rather the United States itself. This perception is clearly rooted in Mexico's historic vulnerability to its dominant northern neighbor. In its contemporary version, the principal Mexican fear is

that a severe disruption of world petroleum supplies might provoke a United States intervention in Mexico designed to guarantee United States access to petroleum during the crisis. Even in the absence of severe disruptions, some Mexican analysts have expressed fears that growing United States energy dependence on Mexico may lead to future conflicts, particularly if Mexico ever decides to halt exports for any reason.⁶

Some American policymakers "refuse to entertain the possibility that Mexico's national interests may in some cases differ significantly from those of the United States."

In short, Washington's basic assumption of common security interests is not fully shared in Mexico City. This divergence contains implications for Mexican foreign policy that are not often considered in the United States. Mexican fears of energy-related United States pressures or interventions have resulted in a Mexican policy to diversify its oil-supply contracts away from the United States whenever practical, to reduce Mexico's potential vulnerability. Mexico has also reaffirmed its commitment to traditional principles of nonintervention, self-determination and national sovereignty (defense principles adopted after Mexico lost territory to the United States), which are today invoked against any unilateral use of United States military force anywhere in the Caribbean basin. The precedent that such action might establish with regard to Mexico threatens Mexico. The Mexicans are particularly sensitive to the reestablishment of any United States military presence in Central America because it would mean United States troops on both their northern and southern borders, a type of encirclement seen from the Mexican perspective that would make a United States seizure of the southern Mexican oil field more feasible.

ECONOMIC DEVELOPMENT

Beyond the basic questions of national security and territorial integrity, Mexican elites perceive economic growth as their paramount national priority. Indeed, high growth rates have been an essential element in the maintenance of elite consensus and the "peace of the PRI"* throughout the post-World War II period, for they have allowed the system the latitude it needed to co-opt and demobilize key sectors of the society. Especially important for the survival of the system has been the PRI's ability to co-opt and control the organized working class without resort to highly conflictual redistributive measures or the systematic repression of the South American variety.⁷

The bilateral economic relationship is already of major importance to both nations and is likely to

*PRI (Partido Revolucionario Institucional) is the governing party.

⁶For analyses of Mexico's national security problems see John Saxe-Fernandez, *Petroleo y estratègia: Mexico y Estados Unidos en el contexto de la política global* (Mexico City: Siglo Veintiuno Editores, 1980); Olga Pellicer de Brody, "La seguridad nacional en Mexico," in *Cuadernos Políticos*, no. 27 (Marzo, 1981); and R. Herrera and M. Ojeda, "Petroleum and the Central American Crisis in Mexican Foreign Policy," in a paper presented to the workshop on "The International Aspects of the Crisis in Central America," sponsored by the Woodrow Wilson Center of the Smithsonian Institution, Washington, D.C., April 2-3, 1981.

⁷For a discussion of the linkages between economic growth and political stability in Mexico see Roger Hansen, *The Politics of Mexican Development* (Baltimore: The Johns Hopkins University Press, 1974).

become even more critical over time.⁸ The United States is Mexico's principal trading partner, largest foreign investor and major international creditor, and thus shares with the Mexican elites a common vested interest in continued economic expansion in Mexico. In turn, Mexico presently ranks third among the United States trading partners and supplies the United States with approximately seven percent of its total energy imports.

"Neither Mexico nor the United States are likely to adopt policies that would seriously endanger their bilateral economic relationship."

North American analysts now routinely classify the Mexican-United States relationship as a form of mutually beneficial interdependence from which both nations profit equitably, hence the United States tendency to support the creation of a North American Common Market. Mexican observers, in contrast, tend to characterize the relationship as an asymmetrical and a dependent one and argue for Mexico's need to diversify its "dependency" away from the United States. The Mexicans are aware that cooperation with the United States is vital to the growth of their own economy. But they are also wary of North American economic domination.

Divergences in economic self-interest have important implications for Mexico's bilateral relationship with the United States and for its foreign policy generally. In the first place, because of the Mexicans' highly developed sense of economic nationalism, they are unlikely to enter into a formal North American Common Market arrangement any time soon. Long-term economic integration with the United States and Canada will come (if at all) only after an extensive period of experimentation with more limited sectoral-level programs. Economic nationalism also translates into a series of complex restrictions on United States and other foreign businesses operating in Mexico, particularly with regard to the Mexican state-owned petroleum sector, where direct foreign investment is prohibited altogether, and in the secondary petrochemical industry, where foreign investment is limited to 40 percent in any given firm. But there are restrictions on foreign activities in virtually all sectors. Mexican perceptions of national interest also differ

⁸A discussion of U.S.-Mexican economic ties is found in Clark W. Reynolds, "Economic and Social Perspectives for Mexico and Implications for Relations with the United States"; Paper prepared for "Seminar on Economic and Social Aspects of Relations Between the United States and Mexico," Stanford University, November 12-15, 1980. See also Gary C. Hufbauer et al., "Bilateral Trade Relations," in *Proceedings of the Academy of Political Science*, vol. 34, no. 1 (1981), pp. 136-145.

from United States assumptions of compatibility in the realm of domestic political stability. The Reagan administration has consistently argued that Mexico is the final domino in the chain of falling dominoes set off by Cuban-Soviet subversion in Nicaragua. The Mexicans, in turn, reject this cold war definition of the Central American crisis and emphasize instead the economic inequality, social injustice and political repression that have sparked broad-based opposition movements in countries like Nicaragua, El Salvador and Guatemala. Moreover, the Mexicans deny vehemently that they are likely to become a target of subversion for groups based in Central America now or in the future.

Mexican reasoning on the issue of its internal stability runs directly counter to United States logic on several grounds. First, the Mexicans see existing regimes in El Salvador and Guatemala as hopelessly illegitimate. In their view, any effort to "prop" up these governments through military assistance is doomed to failure and is bound to involve tremendous human suffering and massive population displacement throughout the region. The civil war in El Salvador alone has already generated over 300,000 refugees, tens of thousands of whom are now in Mexico. And Guatemalan refugees are streaming into Mexico in ever larger numbers. Thus the Mexicans view the Reagan "military" approach as destabilizing for Mexico itself, rather than as a solution to the Central American crisis. As long as violence continues in Central America, Mexico will continue to be flooded with refugees it can ill afford to receive.

Second, the Mexicans believe that by befriending revolutionary forces in Nicaragua and El Salvador they will be able to purchase a kind of insurance policy against the export of revolution from these nations to Mexico. If the revolutionary Central American countries are economically indebted to Mexico and in need of its continued economic support, so the Mexicans reason, it is unlikely that revolutionary authorities will permit hostile acts against Mexico from their territory.

Finally, Mexican authorities are aware that Mexico, unlike virtually every other Latin American country, has an "institutionalized" political left—made up

(Continued on page 386)

Bruce Bagley is the author of "Popular Participation and Voluntary Associations in Colombia: Cooperation and Radicalization," with Matthew Edel, in A. Berry et al., eds., *Politics of Compromise: Coalition Government in Colombia* (New Brunswick, N.J.: Transaction Books, 1980), and "United States and Mexican Relations: A U.S. Perspective," in *Proceedings of the Academy of Political Science*, vol. 34, no. 1 (January-March, 1981). He is currently working on a book, *Political Power, Public Policy and the State in Colombia*.

"The question in Mexico's new agricultural strategies is whether the enormous sums now flowing into agriculture can generate a productive base that can create employment and produce basic commodities with reasonable efficiency."

Agrarian Reform in Mexico: The Quest for Self-Sufficiency

BY JOHN J. BAILEY

Associate Professor of Government, Georgetown University

A wise President once wrote that "... to govern is to choose, to determine what is the most urgent and fundamental necessity, in order to handle it well."¹ Mexican President José López Portillo chose his priorities at the outset of his term in 1976: energy development, agricultural self-sufficiency, and job creation. But the choice of concrete measures to achieve these priorities has proved difficult, especially with regard to agriculture, where Mexico faces lagging production, growing reliance on food imports, declines in the per capita consumption of some foods, and chronic rural poverty. There are no easy or quick solutions, and the pressures converge from all sides. Abroad, the United States needs energy imports and wants to sell grains; at home, the Mexican left fiercely defends the ejido sector,² while other interests push for a strong production orientation.

In 1980, already late in his six-year term, the President launched two sets of policy initiatives in agriculture. In March, he announced SAM, the Mexican food system, and in October he unveiled a proposed law of agricultural production. The government says that the new law simply institutionalizes SAM, but critics insist that the two initiatives point in rather different directions. Some elements of the policies are clear, like the emphasis on production and massive increases in spending; but like the smog over Mexico City, other aspects remain clouded in a haze of rhetoric, making it difficult to see the longer-term policy direction in agriculture.

Agriculture is clearly a sensitive and demanding issue in Mexico's domestic and international politics. It is obvious that the United States also has a substantial stake in Mexico's success in food production. It is not simply a matter of more or fewer undocumented

workers (though this is not unimportant); rather it concerns the prospect of a hungry and therefore unstable neighbor to the south, a prospect unsettling to contemplate.

Mexicans grappling with their agriculture problem are part of a crowd, as the headlines from Poland and the Soviet Union remind us. But the problem is even more serious in the third world, where food requirements are likely to double by the end of this century. As this issue smolders, it is useful to identify differences in perspectives, since these condition the debate in the "north-south" context. In contrast to United States citizens, long accustomed to agricultural overproduction in a continent-sized, largely independent economy, Mexicans see themselves as dependent actors in a world economic and food system. The problem of agriculture is part of a larger problem-set, over which they perceive they exercise only marginal influence. Thus, Mexico increasingly seeks to lead other developing countries in pressing for changes in the international economic order, which was the purpose of the October meeting in Cancun. In the meantime, however, Mexicans see food self-sufficiency as essential to national sovereignty.

Some aspects of "ag lag" in Mexico are typical of many Latin American and other developing nations. Common dimensions include resource shortages, uncontrolled population growth, and all the legacies of late industrialization.

In contrast to the United States, where there are about 2.2 cultivable acres per person, there are only about .75 cultivable acres per person in Mexico.³ While new lands can indeed be brought into production, there is no great frontier to serve as a quick-fix solution. Within the constraints of arable land, the forms of production are important. Here one often encounters the phenomenon of dualism: highly productive, usually large-scale commercial farms are typically directed toward the urban national and international markets, alongside small, subsistence-oriented plots. Much of the problem of agriculture concerns what policy to follow with regard to the small holdings that tend to be capital-poor and employ rudimentary technology.

¹Carlos Lleras Restrepo, "El parlamento moderno," *Administración y desarrollo* (Bogotá), no. 5 (October, 1964), p. 13.

²The ejido might be thought of as a collective farm. There are two basic types, one in which plots are held in individual title, and the other in which the land is held jointly by the group. There is a complex body of law that attempts to protect and regulate the ejidos. For example, ejidatarios cannot legally sell or rent their lands to outsiders.

³Paul Lamartine Yates, *Mexico's Agricultural Dilemma* (mimeo, 1980), p. 92.

Demographic pressures complicate the problem. Mexico, like Brazil, combines a high growth rate (about 3.0 percent) with a large base (about 70 million) to yield troublesome results: (1) its population will almost double by the turn of the century; (2) about half the population is under 16 years of age, with the obvious implications for nutrition, education and employment; (3) pressures on land are mounting, leading to a further "pulverization" of holdings. These stark facts led the secretary of agrarian reform to declare that "old style" agrarian reform, expropriating land for redistribution to the poor, was infeasible; "there is no more free land."⁴ Furthermore, urbanization—increasing at a rate faster than population growth—increases the demand for food as real incomes rise and consumer preferences shift toward processed foods and meat.

Both land and demography can be altered to some degree, given sufficient resources and lead time, but both must be considered as constraints on choice in the short run. Similarly, the legacies of previous development policies shape the current reality, as governments must "undo" or somehow remedy the situations they inherit, particularly if policies of industrialization have led to the neglect of agriculture.

By regional standards, Mexico avoided some of the worst consequences of agricultural neglect, maintaining a rough balance between industry and agriculture perhaps into the late 1950's, when industrialization became the overriding goal.⁵ The government pursued a kind of dual-track strategy in agriculture during 1940-1965. It emphasized growth and productivity by fostering large-scale, irrigated farming largely in the northwest; at the same time, it pursued social goals by distributing land and providing resources to the rural poor. For a time, the policy was successful, and Mexico enjoyed political quiescence in rural areas along with substantial levels of agricultural production to help provide foreign exchange and cheap food for its growing industrial labor force. Thus, agriculture helped to achieve the "Mexican miracle," rapid economic growth (on the order of 6 percent per year during 1955-1970) with general price stability. Yet problems were accumulating.

⁴Antonio Toledo Corro, quoted in *Excelsior*, April 17, 1979, p. 1-A.

⁵A good brief overview is Clark Reynolds, "Why Mexico's 'Stabilizing Development' Was Actually Destabilizing (With Some Implications for the Future)," *World Development*, vol. 6, no. 7-8 (1978), pp. 1005-1018.

⁶A more extensive discussion with supporting data can be found in John Bailey and John Link, "Statecraft and Agriculture in Mexico: Domestic and Foreign Policy Considerations," University of California-San Diego, Program in U.S.-Mexican Studies, *Working Paper no. 23* (1981).

⁷John Womack, Jr., *Zapata and the Mexican Revolution* (N.Y.: Alfred A. Knopf, 1969), is a masterful account of the times and themes.

Mexican industrialization policies worsened problems already present in the economy: skewed income distribution, inefficient industry, hyperurbanization, increasing dualism. As the productivity increases of the Green Revolution leveled off in mid-to-late 1960's, forces in the market began to reshape production. The growing urban middle and working classes sought meat, poultry and processed foods; domestic industry needed increasing quantities of cotton, sugar and soybeans; and the international market—largely the United States—sought feeder cattle, vegetables, citrus and coffee. In the absence of government policies to offset market forces, subsistence crops like corn, beans and rice increasingly gave way to livestock production, forage crops and export crops. In the course of all this, millions of the rural poor became more deeply mired in a backward, marginal existence.

In consequence, (1) production levels of staples have remained rather stable over the past decade; (2) this meant a per capita decline in some areas of consumption; (3) given sharply unequal distribution, some groups in society are malnourished; (4) production for urban middle and upper income groups and for the export market has increased, leading to what critics call the "sorghumization" and "cattle-ization" of the countryside.⁶

These trends are not unique to Mexico and have appeared to one degree or another throughout the region. Distinctively Mexican is the mix of revolutionary tradition, geology and geography. One of the most powerful currents in the Mexican revolution is agrarian reform, and the symbols abound: Zapata, land and liberty, Plan de Ayala, and the ejido.⁷ Regime legitimacy, increasingly shaky since 1968, rests in part on sensitivity to issues of political justice in the countryside. This means that the calculus of efficiency in selecting policies must accommodate powerful political sentiments. Those who would address the agrarian question would do well to choose their terms and couch their arguments carefully, as John Gavin, the United States ambassador to Mexico, learned when he suffered the fallout from his criticisms of the ejido.

The oil bonanza cuts several ways with regard to agriculture. It provides the foreign exchange to pay for massive food purchases abroad and for other necessary imports, thus buying time in which to devise longer-term solutions. More directly, oil contributes valuable inputs, like fertilizers. The danger of oil exploitation, however, involves the "petrolization" of the economy, which implies the avoidance of difficult reforms and the continued reliance on exports to buy food abroad and to subsidize agricultural production, processing and consumption at home. This is the grim lesson of Venezuela, with its increasingly serious lag in agricultural production. Above all, the oil boom heightens expectations about actually resolving age-

old problems of want and injustice. Failure in the face of hopes aroused is doubly serious.

Sharing a 2,000-mile border with the United States is a geographical fact that carries blessings and curses. The United States constitutes a natural market for many Mexican agricultural exports, most important, seasonal fruits and vegetables and coffee. To some extent, Mexico postponed reckoning with its agriculture problem by "exporting" its rural underemployed to the United States and benefiting from their wage remittances. But at the same time, it is unnerving for Mexicans to confront lagging food production in the knowledge that their neighbor to the north is the most dynamic and successful food producer and exporter in the world. It is painfully recalled that this is the same neighbor who annexed over half of Mexico's territory in the nineteenth century, who invaded Mexico twice in this century, and whose present Secretary of Agriculture stated recently that "Food is a weapon but the way to use that is to tie countries to us. That way they'll be far more reluctant to upset us."⁸

Any rational analyst would decry the absurdity of using food as a weapon against Mexico, but—unhappily—rationality does not always guide either United States policy or Mexican perceptions. This may help clarify the whiffs of xenophobia that one detects in López Portillo's agricultural policy, as unveiled in early 1980.

In his speech of March 18, 1980, President López Portillo announced (1) a firm lid of 2.75 million barrels per day on petroleum production, (2) the indefinite postponement of Mexico's entry into GATT,* and (3) SAM.⁹ Taken as a whole, the speech signaled a more nationalist and protectionist course of development. Several factors influenced this policy. Petroleum exploitation was threatening to become an uncontrollable force, fueling hyperinflation and displacing agricultural and manufactured exports. Adverse weather, cold in 1978 and drought in 1979, had led to increased grain imports from the United States, from about 3.5 million tons in 1979 to some 8.2 million tons in 1980. This was especially troublesome given the accumulating strains in United States-Mexico relations. United States President Jimmy

Carter's embargo on grain sales to the Soviet Union in January, 1980, deepened suspicions, and López Portillo very effectively played on Mexican concerns to rally support for his policy:

We are going to organize the country to produce food in a dramatic circumstance, one in which it is becoming clear that the definitive strategic instrument of the superpowers is precisely the food that they have known how to produce . . . [it would be tragic if] having resolved the energy problem, we had to fall in the trap of hunger. We are not going to permit that.¹⁰

SAM is very much in López Portillo's style.¹¹ It dazzles in its scope, complexity and sophisticated planning, and it poses a challenging goal: self-sufficiency in corn and beans by 1982 and in other staples by 1985. The grand logic is to translate oil revenues into employment, better living standards for the poorest and national independence. Building on several efforts undertaken since the early 1970's, the program is innovative in degree or kind in four areas: it stresses the rain-fed areas (largely smaller-scale holdings in the central highlands); new lands, including underutilized pastures, abandoned or unexploited holdings, will be brought into production on a fairly large scale; priority will be granted to the production of staple crops for the national market (rather than crops for export); and potentially significant legal and administrative changes will emerge to implement the strategy.

There are many incentives for production. The most important of these are hefty boosts in price guarantees over 1979-1981: corn, 88 percent; beans, 88 percent; wheat, 53 percent; rice, 75 percent; and sorghum, 68 percent, putting corn and wheat above recent world market prices (about 95 percent over in the case of corn).¹² In addition, credit from the public sector Banrural was increased by some 40 percent from 1979 to 1980, and private sector lending was stimulated by adjusting the reserve requirements. Beyond these fairly orthodox measures, SAM introduces a novel feature, "shared risks." Recognizing that smallholders often balk at new initiatives, the government is committed to compensating farmers in case of crop failure, not just for the cost of their investment, but rather for the value of the crop had it been brought to market.

While production is the main emphasis, SAM promotes agribusiness in the rural areas, primarily with regard to food processing and distribution. The main instrument is subsidized credit. On the consumption side, SAM targets some 19 million Mexicans (13 million in rural areas and 6 million in urban centers) to receive subsidized "basic recommended baskets," which vary in content according to the region. The targeted group will be reached through the marketing outlets of CONASUPO.

This said, it is mistaken to view SAM as some sort

*The General Agreement on Tariffs and Trade.

⁸The *Washington Post*, December 24, 1980, p. A-6.

⁹The speech is discussed in *Comercio Exterior*, vol. 30, no. 3 (March, 1980), pp. 200-202.

¹⁰*Ibid.*, p. 201.

¹¹This characterization is based on Oficina de Asesores del C. Presidente, *Sistema Alimentario Mexicano: primer planteamiento de metas de consumo y estrategia de producción de alimentos básicos para 1980-1982* (mimeo, 1980). The principal author of the program is Casio Luiselli, whose article "Por qué el SAM?" *Nexos*, 25 (1980), discusses the strategic thinking behind SAM.

¹²Figures are based on CONASUPO (The National Basic Commodities Marketing Agency) price guarantees.

of concrete being that does things to and for people. SAM is a strategy for agriculture and nutrition managed by a small group who channel money, coordinate agencies, and evaluate results. At its core, SAM is in reality a system of subsidies to production, processing and consumption. Beyond the money disbursed, one finds vague references to a new "government-campesino alliance" and cloudy rhetoric about genuine campesino participation. But the campesinos were not consulted in the formulation of SAM, which was the product of an elite group of presidential advisers. Rather, they remain unorganized, manipulable objects in policymaking. "This being the case, the campesinos do not attack the projects that emanate from the state; rather they simply try to defend themselves from them."¹³

REFORM II: THE NEW LAW

The Law for Agricultural and Livestock Production, generally referred to as the New Law, was foreshadowed in the President's State of the Union Address of September 1, 1980. There he dwelt at some length on the urgency of increasing agricultural production, insisting that the public interest in self-sufficiency must prevail over private interests and enumerating several measures in general terms. The bill was introduced the following month, and—after an unprecedented degree of debate and opposition, including elements from the governing Partido Revolucionario Institucional (PRI)—Congress passed it in late December.¹⁴

In procedural terms, the Secretariat of Agriculture and Water Resources (SARH) emerges with impressive powers in planning and administrative discretion. This is important because the "real" policy will depend almost entirely on specific decisions taken in the course of implementation. Thus, it is SARH that will set production goals for the nation and for specific plots of land, that will define what "underutilized land" means in specific instances, and that will recommend expropriation where it seems appropriate.

The most radical article of the New Law provides for the creation of "production units" in which ejidos and private producers (*pequeños propietarios*) can join together to produce staples. Once recognized by SARH, the production units can qualify for sub-

sidized credit and other government benefits. Of the few ideological issues that can divide the PRI, the sanctity of the ejido probably leads the list. The ejido is seen as one of the conquests of the revolution for the impoverished rural masses, and to many it represents the embodiment of a just and authentic rural order. Opening the ejidos to private investment, in such eyes, invites their destruction, and the frequently heard metaphor involves "sharks and sardines." Critics are not mollified by the government's rebuttal that (1) the association of ejidos with private enterprise is a long-standing fact of life (even in open defiance of the law), (2) the production units can raise living standards as well as productivity, and (3) the law provides numerous safeguards to protect ejido interests.¹⁵ They condemn the corruption and inefficiency of SARH and other agricultural agencies and the continued encroachment by private and transnational capital in the countryside.

A second area of controversy concerns cattle lands. Under prior law, ranchers were allowed to own an acreage sufficient to graze a maximum of 500 cattle. If they improved their lands to raise crops, however, the lands became subject to expropriation, because they usually exceeded the acreage allowed for small properties (*pequeñas propiedades*). With the New Law, ranchers may improve a portion of their lands for the purpose of raising forage crops (e.g., sorghum, alfalfa) to improve their livestock feeds. Within limits (again set by SARH), the ranchers may also sell surplus crops on the market. The government sees this as a sensible measure to encourage production, which in turn will reduce import needs and stimulate the reconversion of cropland to staples. To critics, the measure invites the return of the latifundia (large landholdings) and the further internationalization of the Mexican economy.

Other provisions of the New Law encourage production. Underutilized lands (*tierras ociosas*) may be seized by SARH and farmed out to groups who will work them. Abandoned lands may be expropriated and distributed to landless campesinos. Wherever possible, the continued subdivision of the land will be halted, and smallholdings (units under 5 hectares) will be consolidated to promote efficient exploitation. Similarly, mechanization to boost productivity will be encouraged.

(Continued on page 391)

John Bailey has written several articles and papers on bureaucracy, politics and policymaking in Latin America. He spent January-May, 1979, in Mexico studying the administrative reform and published an analysis of the Secretariat of Programming and Budget in *Inter-American Economic Affairs* (1980). He returned to Mexico in July, 1981, to gather material for this article.

¹³Bolívar Hernández, "Las contras del SAM," *Unomásuno*, December 8, 1980. Following Womack, campesino might be translated as "countryman."

¹⁴The following discussion is based on *Legislación para producir más alimentos* (Mexico: Serie Ediciones de la Cámara de Diputados, 1981). The Ley de Fomento Agropecuario was published in the *Diario Oficial* on February 1, 1981. To simplify, I include as part of the New Law provisions that technically are modifications of previous laws.

¹⁵See for example López Portillo's speech of December 23, 1980, reprinted in *Legislación para producir . . .*, pp. 119-140.

In Mexico, "clearly, the political reform is not going to lead to a shift in power relationships or threaten the control function of the PRI. But it may have unexpected results."

Reforma Política in Mexico

BY JOHN FOSTER LEICH

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UNTIL July 1, 1979, the *Partido Revolucionario Institucional* (Institutional Revolutionary party), or PRI, was all things to all men. Divided into three sectors—peasants, blue-collar and white collar workers—PRI still serves as a channel of political participation and mobilization and as a means of control over the social forces of Mexican society. Through the peasant umbrella organization and PRI component, the *Confederación Nacional Campesina*, farmers in cooperatives and small landowners participate in political life through the filter of party control. Similarly, the *Confederación de Trabajadores Mexicanos*, the labor component, is the umbrella organization for nearly all Mexican trade unions. The *Confederación Nacional de Organizaciones Populares*, the white-collar component, attempts to provide a channel of participation for bureaucrats, clerks and civil servants.

While the Mexican system institutionalizes a six-year presidential dictatorship, the constitutional body that legitimatizes this system is the Mexican Congress; and in particular the Chamber of Deputies. Traditionally, the PRI has dominated the Chamber to the point of overkill, despite the fact that since 1963 Mexico has had a mixed system of majority and proportional representation in congressional elections. Until 1979, alongside the PRI, only three other parties were represented in the legislature. Of these, only one, the *Partido de Acción Nacional* (National Action Party, PAN) could be considered a true opposition. The other two, PARM (Authentic party of the Mexican Revolution) and PPS (the Socialist People's party) are respectively right- and left-wing satellites of PRI, which can be counted on to support the PRI presidential candidate and all his proposals. PAN, on the other hand, is somewhat in the tradition of the European Christian Democratic parties, although Mexican law forbids both the use of religious terms in the nomenclature of political parties and the adhesion of Mexican parties to any international grouping.¹

The PRI was founded in 1929 to bring together and

control the diverse elements that had participated in the revolution of 1910-1917 and its aftermath. Until 1963, under a winner-take-all system of electoral districting, only a handful of opposition deputies were ever elected to the Chamber, and these often boycotted the sessions to protest electoral irregularities.

The law of 1963 introduced a form of proportional representation, providing that if they obtained 2.5 percent of the national vote, minority parties could have five deputies and that they could have one additional deputy, up to 20 in all, for each additional 0.5 percent of the national vote. This meant that the representation of the opposition parties was increased to 20 for PAN, 10 for PPS and 5 for the PARM, all of whom were heavily outnumbered by the nearly 200 PRI deputies. A further reduction of the minimum required vote in 1973 slightly increased the number of PAN and PARM deputies, and PAN actually won 4 of the 196 single-member districts, the balance going to the PRI faithful.

During the late 1960's and early 1970's, severe strains developed in the Mexican political system. The first symptom of the crisis was the massacre of up to 500 rioting students on October 2, 1968, in the Plaza de Tlatelolco in Mexico City. For the next six years, a wave of alienation swept the country, involving not only the younger generation but also the adult middle class, intellectuals, and trade unionists. And by 1976, even the traditionally docile peasantry was resorting to violence and political acts of guerrilla warfare. This broad public dissatisfaction was accompanied by an economic crisis that led to a collapse of private investment, acute inflation and, ultimately, the devaluation of the peso, and a flight of both capital and labor abroad in search of more secure sources of income. During his 1970-1976 term, President Luis Echeverría Álvarez attempted to cope with the crisis with a patchwork of reforms, concessions and demagoguery, ultimately involving an enormous outlay of public funds, a mounting national deficit, and a gigantic foreign debt.

President José López Portillo proposed a three-pronged program to restore legitimacy to the system: a general amnesty for political offenses, an administrative reform, and a so-called *reforma política* designed

¹Kenneth F. Johnson, *Mexican Democracy: A Critical View* (New York: Praeger, 1978), pp. 143-144. Cf. also Article 23 of the 1977 *Ley Federal de Organizaciones Políticas y Procesos Electorales*.

to co-opt the principal opposition forces into the system and to reopen the channels of political participation. Studies by the Mexican Institute of Public Opinion in 1977 showed a high degree of apathy. Ninety percent of the Federal District's residents believed that even their symbolic participation in politics was meaningless.²

The 1977 electoral law incorporating the *reforma política* increased the number of proportional representation deputies to 100 in a Chamber which itself was increased to a total of 400 members. Three hundred members are still elected by majority vote from their respective 300 single-member districts, while the other 100 are elected from three "plurinominal" districts covering roughly the west, east, and southern portions of the country. The registration of political parties was also made easier. Any political group which has been active for at least four years before an election can now apply for conditional registration as a recognized political party. If the party then achieves 1.5 percent of the total vote in the next three successive elections, its registration is made definitive. A Mexican political party must observe the national constitution and the institutions established thereby, to have no foreign or international connections, and to carry out its program by political and democratic means.

The judge of these highly subjective criteria is the Federal Electoral Commission, composed of the Secretary of the Interior (a PRI man); a representative of each House of the Congress, elected by the majority (and therefore PRI men as well); representatives of each registered political party, those with confirmed registration able to vote and those with conditional registration not voting; and a notary selected by the Commission (also a PRI man). Thus the Commission is weighted 5 to 3 in favor of the PRI (or even 7 to 1, considering the satellite status of PARM and PPS); and even after the confirmation of the three now conditionally registered parties PRI will still be able to dominate the Commission's decisions.

The three new parties which were conditionally registered under the 1977 law and gained the necessary 1.5 percent in the 1979 elections were the Mexican Communist party (PCM); the right-wing Mexican Democratic party (PDM), a new version of the old semi-fascist *sinarquista* movement; and the Socialist Workers' party (PST), a left-wing Marxist group, standing only slightly to the left of the PPS.

In the elections of July 1, 1979, 296 of the 300

single-member districts were won by the PRI, and 4 by PAN (2 in Nuevo Leon, 1 in Sonora and 1 in Coahuila). According to the new law, the plurinominal district vote of a party, like PRI, which wins more than 60 single-member seats, is not included in the proportional calculations; and all 100 seats are distributed to the opposition. Those parties with less than 1.5 percent of the total vote are not counted; and at least five percent of the plurinominal vote in any of the three districts is necessary for the allotment of one deputy to a party. The proportions for those parties with less than 5 percent but more than the 1.5 percent minimum are allocated by European practice (the d'Hondt system).

PAN won 39 proportional seats and four single-member districts for a total of 43. The two satellite parties, PARM and PPS, won 12 and 11 seats respectively. The PCM led a four-party Coalition of the Left, which enabled three non-registered parties to be represented in the Chamber alongside the recognized PCM. Of the 18 seats won by the Coalition of the Left, 9 were allotted by the Coalition to the PCM, 5 to PPM (Mexican People's party)—an offshoot of the PPS—3 to the PSR (Socialist Revolutionary party), and 1 to the MAUS (the Movement of Socialist Action and Unity). The two other recognized parties, the right-wing PDM and the left-wing PST, received 10 seats each.

This distribution of seats, while it preserves the PRI's monopoly position, is clearly more equitable than the previous systems. For example, the electoral statistics for 1970 and 1973 showed that those deputies who were elected on the PAN ticket received almost twice as many votes per seat won as did the PRI candidates. The 1976 election was not typical, because of PAN's internal cleavages and inability to field a presidential candidate; but in 1979, the number of votes cast per seat gained by each party was almost identical.

The 1979 electoral reform is modeled to a degree on the West German system, and there are analogies in the electoral behavior of the two countries. In the October, 1980, elections in Germany many voters apparently marked their two ballots differently. SPD voters gave their primary choice to the uninominal candidate, but then voted FDP on the plurinominal list. This ensured the survival of the FDP and of the SPD-FDP coalition in the face of a larger plurality for the opposition CDU.*

In the 1979 elections in Mexico, many PCM voters on the plurinominal lists gave their uninominal choice to the PRI, thereby insuring that the PRI's majority would exceed the 60-seat minimum and that all the plurinominal seats would go to the opposition parties.³

President López Portillo has repeatedly stated that political reform will open "streams of greater political

*West German political parties referred to here are: Social Democratic party (SPD), Free Democratic party (FDP), and Christian Democratic Union (CDU).

²Pablo González Casanova and Enrique Florescano, *México Hoy* (Mexico City: Siglo Veintiuno Editores, 1979), pp. 352-353.

³López Portillo interview with *Der Spiegel*, May 5, 1980, quoted in *El Gobierno Mexicano*, Julio '80, pp. 27-28.

participation.”⁴ He describes it as “legitimizing the dialectic of adversary conflict” and as opening the Mexican system to all political ideologies, even providing a legal outlet for those who otherwise might turn to guerrilla warfare. Political reform is good for the PRI too, he says, in that it causes the party to review its ideological roots, clarify its thinking, and learn new techniques to cope with the changed situation in the Chamber of Deputies.⁵

In his report to Congress on September 1, 1980, the President vowed to press further with the process of political reform in the interests of the dignity of the individual and the respectability of the state. The objective of the reform, he said, is to make Mexico’s elections more competitive and straightforward. However, he cautioned that this process would not necessarily extend to the way a party selects its candidate. *Reforma política* and *tapadismo*, the arcane process whereby a President designates his successor on behalf of the PRI, will continue to exist side by side.⁶

While in principle the political reform is supposed to be applied also to the Mexican state legislatures, to date only a very few of the states have taken any legislative or constitutional measures to implement the reform. Nearly all the opposition parties have been pressing for reform, but they appear to have encountered strong opposition from the local PRI organizations. Nor has there been any indication that the reform will be extended to the 64-member Mexican Senate, which now contains only one non-PRI Senator, PPS leader Jorge Cruikshank García.

When looking at the new configuration of Mexican political parties, it is difficult to see any one of them or any combination of parties as a serious opposition to the PRI. For a while, the PAN’s electorate declined steadily from a high point in 1973, as the party became factionalized and unable to decide whether it is a right-wing party or a Christian Democratic party. Now, however, there are definite signs of the party’s revival and of a resolution of its internal difficulties, as evidenced by its decision on March 1, 1981, to launch a candidate for the next presidential elections. The Mexican Communist party has little working-class support, and would seem to be more and more restricted to professorial and student circles. In February, 1981, the PCM surprised some Mexican pundits by winning control of the Oaxaca *municipio* of Juchitán with a plurality of 300 votes, in a coalition with a left-wing activist group known as the Commit-

tee of Peasants and Students of the Isthmus (COCEI), to whose efforts credit for this victory belongs, and whose leader, Leopoldo D’Gyves, won the post of Presidente Municipal.

The COCEI-PCM electoral victory was confirmed by the Federal Electoral Commission. In celebration thereof, the entire department of political science at the National University of Mexico went on a one-day holiday! On the right side of the political spectrum, the Mexican Democratic party (PDM), with its sinarquista tradition, scarcely lives up to its name, and certainly does not provide a democratic alternative to the PRI. PDM support seems confined to rural districts in Jalisco. The PST, a product of the 1968 upheaval, appears to be drifting into the orbit of the PRI, rather than asserting itself as a true opposition party. The PST’s principal supporter has been ex-President Echeverría, both in and out of office.

Two great lacunae in the Mexican party roll call have been noted by Octavio Paz: the absence of a non-confessional conservative party, like that of most democracies, and the nonexistence of any Social Democratic trend. John Womack has recently attributed the weakness of the opposition in Mexico, particularly on the left, to a lack of middle-class support and sympathy. The Mexican opposition remains isolated and therefore sterile.

A major source of the incapacity of Mexican opposition parties is the nature of the PRI itself, which is not a political party in the traditional sense of the word, but rather a means of political legitimation and social control; as long as the PRI’s social control function is fundamental to the success of the Mexican system, a true opposition is unlikely to develop.

Foreign observers have nonetheless made laudatory comments about the new reform. The Spanish Eurocommunist leader, Santiago Carrillo, believes that political reform has broadened Mexican democracy, offering new possibilities for democratic development and for a certain stability. The presence of Communist deputies in the Chamber stirred up an unusual amount of public interest in the sessions after the 1979 elections, but this interest seems to be declining. It has recently become customary for Cabinet members, all potential presidential candidates, to be summoned to and questioned by the Chamber of Deputies in plenary session. Conceivably, this type of questioning might weaken somewhat the President’s monopoly in the candidate selection process. Whereas until 1943 the Chamber traditionally voted unanimously in favor of every presidential initiative, the opposition can now run to 25 percent or higher, if PRI deputies join in the dissent, a condition which is no longer the exception.

One result of the political reform that may reinforce the legitimizing role of the Chamber has been a tendency on the part of the deputies to spend much more time in their constituencies; some have even

⁴Statement to UPI meeting in Tijuana, October 13, 1978, quoted in Presidencia de la Republica, *El Gobierno Mexicano*, Octubre ’78, p. 143.

⁵Interview with *Veinte Mujeres y Un Hombre* in Mexico City, December 27, 1979, quoted in *El Gobierno Mexicano*, Diciembre ’79, p. 138.

⁶Presidencia de la Republica, *Fourth State of the Union Report*, pp. 152-154.

opened local offices in order to keep in touch with their supporters. Sunday, March 8, 1981, was designated "Reporting Day" for all PRI deputies, and the deputies addressed interested gatherings in their districts. The fact that discussions at these meetings concentrated on national and not local problems was indicative of the lack of contact between the legislators and their electors.

Public interest in and awareness of the political reform, although still increasing, is apparently a concern of the elites alone. Despite a widespread registration campaign before the 1979 election, it is estimated that 10 to 15 percent of the eligibles were not registered; of the registered voters, only 48.7 percent turned out to vote, as opposed to 65 percent in the 1970 elections, the last time a presidential contest was involved. It should be recalled in passing, however, that only 35.1 percent of the eligible United States voters turned out for the 1978 congressional elections. Jesús Silva Herzog Flores, Undersecretary of the Treasury in Mexico, told this writer that he felt strongly that the reforma política has increased interest in politics and government policy, especially among the middle classes who have been adversely affected by Mexico's high inflation rate and other economic problems. He also found that more women were taking part in political discussions.

The political reform has forced the government to exercise greater care drafting legislation. In general, opposition deputies are better informed, have a higher educational level than that of the PRI majority, and often propose valid criticisms of government initiatives. In many cases, the opposition also has good relations with the press, despite the efforts of the government to control at least the daily press through political pressures. In the opinion of Silva Herzog Flores, these factors are leading the PRI to try to recruit better deputies and in general to renew the party from within.⁷ The Chamber's increased role in the budget audit also reflects an upgrading of the legislative function, even though this does not yet constitute a challenge to traditional executive control.

The nature of the opposition vote and its distribution, both in 1979 and in the upcoming presidential and legislative elections in 1982, should be analyzed. From statistics published to date, it is clear that in 1979 the proportion of the vote of all opposition parties except PARM was higher in the third plurinominal district, which includes Mexico City and the states south of the capital. (In this district the PAN vote reached 13.2 percent and that of the PCM, 8.2 percent.)

⁷Pablo González Casanova, *La Democracia en México* (Mexico City: Serie Popular Era/4, 1976), pp. 149-150.

⁸*Ibid.*, pp. 149-150.

⁹Meeting with PST leaders in Mexico City, December 14, 1979, quoted in *El Gobierno Mexicano*, Diciembre '79.

Pablo González Casanova, in his *La Democracia en México*, studied both presidential and legislative elections between 1929 and 1964 and found a direct correlation between the degree of prosperity in any given Mexican state and the strength of the vote for the opposition candidate. In every election González Casanova studied, the opposition vote in the Federal District was substantial, as high as 35 percent. This may explain in part the higher vote for the opposition parties in the third plurinominal district.⁸

In view of the weakness of the newly registered parties in any opposition role, conventional wisdom could point to the unexpressed hope of the Mexican leadership to incorporate the newly registered parties into the PRI-dominated control system alongside the PPS and the PARM. Indeed, in spontaneous remarks to a convention of the PST, President López Portillo noted that the political reform was designed not to eliminate the political struggle but to legitimize it and that the PST leadership should take advantage of this legitimation "like good Mexicans."⁹

From April to June, 1981, the Federal Election Commission considered the application of 16 more political parties or associations for conditional registration so that they would be eligible to offer candidates in the 1982 voting. On June 11, the FEC announced that it had given conditional registration to only two applicants: the Trotskyite Revolutionary Workers party (PRT) and the moderate Social Democratic party (PSD). According to the FEC, the other 14 applicants did not comply with the requirements of the Electoral Law. The PCM and influential Mexican journals like *Proceso* have been highly critical of the FEC's decision, in particular for its refusal to register the activist Mexican Workers' party (PMT), which stands somewhat to the left of the PCM. The FEC had objected that the statutes of the PMT did not "expressly" and "literally" commit the party to observe the constitution.

The 1982 presidential elections are already a major preoccupation of all politicians. López Portillo's choice of a successor, Miguel de la Madrid Hurtado, a political moderate, was named as the PRI candidate on September 25, 1981. But unlike López Portillo, who was unopposed in 1976, de la Madrid faces challengers from right and left, although none of them will have

(Continued on page 392)

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A majority of Mexicans remain ill housed, ill clothed and ill fed not only because a rapidly increasing population dumps additional workers into the job market faster than the economy can expand to absorb them, but also because of uncontrolled urbanization, the crowding of too many citizens in some regions, leaving too few in others to utilize resources appropriately."

Population and Migration Problems in Mexico

BY MARVIN ALISKY

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Mexico has begun to control its population growth, and by the late 1980's the government will guide demographic trends so that both national economic growth and basic welfare services will continue.

SO asserted José López Portillo, the President of Mexico, at the annual assembly of the National Population Council (Consejo Nacional de Población or CNP) in March, 1981.¹ The President was reacting to CNP reports showing that the frightening annual increase in population had decreased from 3.6 percent in 1976 to 3 percent in 1980.

There are still too many people for the available jobs, housing, food and transportation. In the late 1970's, scholars feared that the population explosion might eventually wipe out the institutionalized social reform government dominant since 1917 as the Revolutionary coalition (spelled with a capital "R" to denote permanence).² In 1981, however, Mexican leaders are confident that the annual increase in the birthrate will continue to shrink, thanks to government birth control programs, and that migrants will continue to move northward into the United States to alleviate the pressures created by Mexico's excess population.

Optimism at the National Population Council assembly came from Gustavo Cabrera, the dynamic secretary general of the CNP, which recently has become a major organ of the Ministry of Gobernación (Interior), the senior ministry of the presidential Cabinet. The President and his top advisers try to balance economic development and social services

programs with the demographic demands of Mexican society.³

No chief executive before López Portillo (serving a six-year presidential term from December, 1976, to December, 1982) ever linked budgetary apportionments to population pressures so strongly. His emphasis on birth control and his concern about rapid urbanization will be political legacies for the next President.

Until the late 1970's, certain words and phrases were almost "unmentionable" in the mass media or in public discussion: birth control, abortion and rape.⁴ Today, government public relations campaigns in all the mass media have made these words and related topics socially acceptable.

In 1973, the National Population Council was created and the first Family Planning Centers (Centros de Planificación Familiar or CPF) were funded by the government. The high birthrate and the low death rate of the 1950's and 1960's had been ignored by the government until the inability of the job market to absorb millions of young Mexicans could no longer be overlooked.

By 1977, the Social Security system (Instituto Mexicano de Seguro Social or IMSS) and the Ministry of Health and Welfare (Secretaría de Salubridad y Asistencia or SSA) had opened 2,800 Family Planning Centers (CPF's). By the end of 1980, more than 5,100 CPF's were open seven days a week including evenings, in every one of the republic's 2,377 municipios (municipalities or county-wide areas with one or more cities in each). In 1976, 26 percent of fertile-age women were using the CPF's free services, and by 1980 that figure had risen to 38 percent.⁵

This increase in the Mexican use of contraceptives has little relationship to the papal encyclical against birth control in Catholic Mexico, where church and state have often been antagonists. (Most of the clergy have remained silent on the question in public.) Rather, the change in women's attitudes toward limiting pregnancies has resulted from government criticism of "machismo," the cult of male virility proved by the impregnation of females.⁶

The government's campaign to promote the CPF's

¹"Población: Se Cumplen las Metas Fijadas," *Tiempo*, March 30, 1981, pp. 25-26.

²Marvin Alisky, "Mexico Versus Malthus," *Current History*, May, 1974, pp. 200-203, 227-230; Alisky, "Mexico's Population Pressures," *Current History*, March, 1977, pp. 106-110, 131-134.

³"Evolución Demográfica de la Sociedad Mexicana," *Excelsior*, March 15, 1981, p. 4.

⁴"Salubridad: Desechar el Tabú y la Ignorancia," *Tiempo*, January 12, 1981, p. 12.

⁵"Primeros Indicios," *Boletín AMEP* (of the Mexican Population Association), April-June, 1980, p. 4.

⁶Octavio Paz, *Labyrinth of Solitude: Life and Thought in Mexico* (New York: Grove Press, 1961), pp. 31-36.

began by avoiding the phrase "birth control," emphasizing "responsible parenthood" ("paternidad responsable"), to induce a change in attitude more effectively. In 1974, the government began publishing a 16-page comic book, *Mejor Vida (Better Life)*, urging family planning so that children could be adequately fed and could find employment. Soon every CPF was distributing the booklet. Its bright green cover with a drawing of a pink infant in comic relief became familiar at SSA and IMSS hospitals, grocery stores, and, by 1979, in girls' classes in health education in secondary and preparatory schools. Veteran feminist leader Adelina Zendejas reported that in the 1970's school administrators recognized that female students were sexually active and needed family planning information but that even at the twelfth-grade level they could receive such instruction only if they enrolled in a health education course.⁷

Pamphlets, advertisements in magazines and newspapers, and slogans on billboards soon supplemented comic books. In the pamphlets and comic books, machismo was questioned and a substitute social image was suggested—a husband and wife devoting themselves to each other's well-being with two or three children. In the advertisements, the emphasis was that a working couple with several children could not keep them in school or feed them enough to be healthy; with only two children, the offspring would have a better chance in life.

The 1980 census revealed that 28 percent of Mexico's adults are functionally illiterate. In 1975, when that percentage was even higher, the government decided not to rely so much on printed materials to promote family planning but to utilize radio, Mexico's principal mass medium. Some 95 percent of Mexican families had radios in daily use, and 6 million television sets drew 30 million viewers daily.⁸ The CNP began producing spot announcements for every broadcasting station in the republic. Under a 1969 amendment to the Federal Law of Radio and Television, the government may claim up to 12.5 percent of the totally daily broadcasting air time of every privately owned station.

In addition to spot announcements, promotional air

⁷Gloria Fuentes, "So Juana, El Sexo, La Autonomía," *Siempre*, July 18, 1979, pp. 58-59.

⁸Luis Antonio de Noriega and Frances Leach, *Broadcasting in Mexico* (London: Routledge and Kegan Paul, 1979), pp. 11, 38-39.

⁹"Apoyo a la Mujer Violada," *Tiempo*, March 16, 1981, pp. 19-20.

¹⁰*Ibid.*, p. 19.

¹¹Carlos Monsiráis, "Economía Sexual," *Siempre*, July 11, 1979, pp. 34-35.

¹²"Women's Group Eyes Abortion Laws," *The News* (Mexico City), January 18, 1981, p. 2; "Reconocen la Capacidad Feminina," *Novedades*, February 23, 1981, p. 14-A.

time for family planning has included news reports, documentaries, talk shows with celebrities, question-and-answer forums with physicians, and soap operas.

Not until recently did the government include the problem of rape as a related factor in population-control policies but some Family Planning Centers now make information available about CAMAVAC, an organization to aid rape victims.

In 1978, the Center for Aid for Violated Women (Centro de Apoyo a las Mujeres Violadas, CAMAVAC) began as a private foundation. In November, 1979, the federal government became a junior partner in this civic corporation through the Bureaus of Rehabilitation of the IMSS and the SSA; permanent headquarters were established in Colonia San Pedro de los Pinos in Mexico City, with a telephone network to branch centers in the Federal District and provincial cities.⁹ By 1980, CAMAVAC had branches in all 31 states, in addition to branches in the slum neighborhoods of Mexico City.

Before CAMAVAC began pressuring the Ministry of Gobernación to gather statistics on rape, the mass media played down that crime. However, in 1980, local and state levels of police reported 800,000 crimes of rape, with only 5 percent resulting in arrests and indictments.¹⁰ A rape victim who becomes pregnant can receive IMSS surgery, in an operation that is not called abortion but a "life saving emergency treatment."

In 1979, Ministry of Labor job counselors concluded that the federal government at long last had begun to perceive the interrelationship of poverty, overpopulation, broken homes, unwed mothers, pregnant victims of rape, teenage ignorance of the consequences of intercourse, and the negative social cost of unwanted children. If discussed in the mass media in simple language, with care for sensibilities, such linkages could increase the practice of birth control.¹¹

Family Planning Centers normally provide contraceptive pills and intrauterine devices free to women and condoms free to men. As hospital facilities permit, tubal ligations, hysterectomies, and vasectomies are also available. Not all requests for abortion can be accommodated.

Congresswoman Yolanda Senties heads the women's division of the dominant Institutional Revolutionary party (Partido Revolucionario Institucional or PRI); she is secretary general of the Revolutionary Feminine National Association (Asociación Nacional Feminil Revolucionario or ANFER) of the PRI. The President of Mexico chose Senties to speak on women's issues in Congress not only for ANFER but for the PRI. She persuaded the Chamber of Deputies to establish a commission to study the possibility of legalizing abortions in Mexico, but the Senate has yet to indicate any interest.¹²

However, liberal interpretation of medical

diagnosis means that abortions are legal in Mexico, where they are called emergency surgery to save the mother's life. The practice may remain in this extralegal status for a few years, as neither the SSA nor the IMSS medical staffs wish to damage the growing positive image of contraceptive practices in the family planning program by intensifying debates over limitations or guidelines for abortions. Few restrictions with regard to contraception methods are placed on physicians in any of Mexico's public health programs; methods range from surgery to medication, under the federal government's National Health Plan law (1973-1983).¹³

"TOUCHING ALL BASES"

As if it had adopted the sports slogan "touching all bases" to make up for years of neglecting the population explosion, Gobernación now promotes its CPF's in cooperation with other ministries. In 1980, for the first time, it reached the Indian population through the National Institute of Indian Affairs (Instituto Nacional Indigenista); family planning information in native dialects was added to instructions in modern farming techniques. From the Ministry of Commerce, in most city slum neighborhoods the National Consumer Institute distributes posters showing a mother with two children and the caption "Formula for a Better Life."

Once a week, the sports page of every daily and weekly newspaper in Mexico carries an advertisement from the IMSS; the week of May 17, 1981, the advertisement read, "Why not you? Millions of men now plan their family size. Planning is easy." Accompanying the text were photographs of farmers and engineers, athletes and tradesmen. The companion advertisement for women that week (placed near society and cultural news) was headlined, "Millions of women plan their family size."¹⁴ There were photographs of an actress, a society matron, a shop clerk, and a peasant housewife. Similar publicity campaigns now reach educational institutions, health clinics, and even prisons.

The Federal Women's Prison in Mexico City has

¹³Secretaría de Salubridad y Asistencia, *Plan Nacional de Salud* (México, D.F.: SSA, 1974), pp. 11-27.

¹⁴"Por Qué No?" *El Imparcial* (Hermosillo), May 17, 1981, p. 3-D; "Por Qué No?" *La Prensa* (Mexico City), May 17, 1981, p. 52.

¹⁵"Entre Mujeres Solas," *Tiempo*, May 4, 1981, pp. 15-16.

¹⁶"No Puede Ser Qua la Juventud Sea Extranjera," *Novedades*, December 8, 1980, p. 17-A.

¹⁷"Regular el Crecimiento Demográfico," *Tiempo*, March 2, 1981, p. 16.

¹⁸Noriega and Leach, *Broadcasting in Mexico*, pp. 31, 85; Cámara Nacional de la Industria de Radio y Televisión, *Disposiciones Legales en Materia de Radio y Televisión* (México, D.F.: CIRT, 1976), pp. 36-37.

¹⁹Marvin Alisky, "Mexico's National Hour on Radio," *Nieman Reports*, October, 1953, pp. 17-18.

been renamed the Feminine Center of Social Readaptation, with emphasis on vocational training for prisoners; lectures on family planning are included as part of the required course in health. With 79 percent of all women in Mexican prisons now under 21 years of age, the Readaptation Center's birth control instruction will be extended to all other facilities housing female prisoners.¹⁵

In November, 1980, Minister of Public Education Fernando Solana Morales set a policy at the National Pedagogical University (Universidad Pedagógica Nacional) that all other teaching-training institutions will eventually adopt, inasmuch as ministry innovative programs are tested at the UPN before being used nationally. His policy calls for a unit in teaching civics to teenagers, stressing the government's need to control quantitative factors in improving the working-class life-style, to keep the "ranks of citizens to a manageable size" through family planning.¹⁶

In schools and in the pivotal areas of adult education and communication, Mexico remains most vulnerable in its rural areas. The larger the town or city, the more likely that women are using CPF's. In February, 1981, at the annual IMSS Conference of Family Planning Officials, Dr. Luis Torregrosa, assistant medical director of the Social Security system, reported that hundreds of isolated communities in rural Mexico remain without meaningful birth control information.¹⁷ Even though the 1980 census showed that more than 64 percent of Mexico's 69.9 million citizens are urban dwellers living in communities of more than 2,500, some 20 million Mexicans are grouped into rural families isolated from birth control methods.

USE OF BROADCASTING

The Ministry of Gobernación has a Bureau of Radio, Television and Cinema (RTC), which has at its disposal the government-owned Teleproductora, Películas Mexicanas, Churubusco, and Conacine studios and the National Cinema Bank. RTC's Productora Nacional produces most of the taped drama, information, and music heard over the Rural Radio Network. This bureau also reaches every television station in Mexico with Mexican Rural Television (TRM) videotapes and cassettes.¹⁸ The government selects the commercially produced programs that will receive TRM distribution to provincial stations. Ever since 1937, the government has produced the "National Hour" each Sunday from 10 to 11 p.m. broadcast by every radio station in Mexico.¹⁹ This program intersperses interviews with celebrities and music with reports on government activities, including Family Planning Centers.

With the legal authority to acquire up to 12.5 percent of the daily air time of every radio and television station, the government has enormous flex-

ibility in its use of broadcasting to promote birth control. The RTC Bureau decided to use a daily morning talk program, "Dialogue Without Fear," over the dominant commercial radio hookup, the XEW network. Host Guillermo Ochoa's guests range from physicians, nurses, and public health administrators to social psychologists and educators, who field questions about family planning.²⁰ The program began in October, 1976, ran through 1978, and has continued since mid-1979. Each program has included questions received by mail about the CPF's and birth control devices, and other medical questions about family life and caring for children.

During 1980 over the XEW network, each Saturday morning the government produced commentaries for women about family planning and related health matters. On Sundays over the same network the RTC Bureau produced family planning commentaries for men as part of the "Rancher's Hour." Often a guest speaker from the Public Education Ministry discussed gifted children with high intelligence born into poor families. Those from small families received more help toward accelerated education and were more likely to become upwardly mobile than the children in large families.²¹

To reach university students, the RTC Bureau puts special effort into reports about family planning as taped inserts in the one-hour "Semana Noticiosa," the Sunday morning news review over Radio UNAM in Mexico City.²² These inserts relate family planning to the economic and social development of Mexico and follow stories about employment trends and domestic and foreign trade. UNAM is the standard-band outlet of the National Autonomous University of Mexico. In recent years, the station has steadily increased its Sunday audience of men and women in the 20-to-25-year age group by featuring Mexican and Broadway musicals, the soundtracks ranging from "Hello Dolly" and "Grease" to "Pato a la Naranja." The messages of such broadcasts reach the young married groups most responsive to discussions about the need for birth control.

²⁰*El Nacional*, October 2, 1976. This Mexico City daily newspaper, owned by the government and the dominant Institutional Revolutionary party, is mandated to publish news about family planning activities and broadcasts.

²¹Annotated broadcast listings in *Excelsior*, *El Nacional*, and *The News* for October 11 and 12, 1980.

²²"Programación de UNAM," *Excelsior*, October 26, 1980, p. 11-F.

²³"FM Stations Popular," *The News*, November 9, 1980, p. 17.

²⁴Alisky, "Mexico's Population Pressures," pp. 106-107.

²⁵Bernice Rodríguez González, communications administrator, National Population Council, interviewed in Mexico City, November 8, 1976, by Marvin Alisky.

²⁶"Programación de la CRR" report for June 19, 1979, on file at the Cadena Radio Rural office.

The government used Radiómetro audience surveys in Mexico's largest cities and found sizable groups of middle-class and upper-class teenagers and young married couples listening to FM stations featuring recordings by Willie Nelson, John Stewart, Dionne Warwick, Gladys Knight and Olivia Newton-John. In 1980, FM station Globo in Mexico City and 25 other similarly programmed FM stations in provincial cities were targeted to carry early morning 5-minute question-and-answer segments about family planning during these popular musical programs.²³ To reach rural and small town families and working-class urban families with similar messages the RTC Bureau concentrates on stations with *ranchero* (country) and folk music.

Of all the government broadcasting efforts to promote birth control, the greatest impact has been achieved through radio soap operas, which enthrall working-class women whether they are homemakers, assembly-line employees, or farm workers.

In 1976, the National Population Council produced its first daily serialized drama or "soap opera" dealing with birth control. One-third of Mexico's listening areas watched a 60-episode drama called "María la Olvidada" ("María the Forgotten One"), aired Monday through Friday from 12:30 noon to 1 p.m. from July 12 to October 1, 1976, over the XEW network.²⁴ Measured audiences dwarfed all other daytime radio and television programs combined. "María" had Mexico's women listeners by the ears and the taped series was rerun over provincial stations and regional networks in all 31 states in 1977, 1978 and 1979.

The heroine, María, had to quit her factory job when she became pregnant. Then she discovered that her husband had fathered other children with another woman. In conversations with her doctor, María attacked machismo, and in conversations with her neighbors she learned to use the free services of a Family Planning Center. Her neighbors also used the CPF and, with two children each, each family was able to cope with inflation and retain a two-job income.²⁵

Some of the plots and themes of "María" were adapted by other soap operas for the government's Rural Radio Network over 384 radio stations in 27 states and the Federal District.²⁶ In the series "Nosotros," the heroine took her job back after a maternity leave, and informed her employer that she regularly used facilities at her neighborhood CPF. In the soap opera, "El Derecho de Amar," the hero and heroine prosper with their own store because the mother limited the family to two children and thus had time for business. That series, produced by the RTC Bureau, aired during 1977-1979. During 1980, the heroine of the RTC soap opera "La Senda" returned to work after the birth of her second child, with various references to family planning.

In addition to various programs and announcements promoting family planning on commercial channels, the government has its own Channel 13 in Mexico City, with a network of affiliates in 26 states; it owns half of Channel 8, with its network of affiliates; and it is a minority stockholder in the Televisa corporation controlling the privately owned commercial networks of Channels 2, 4 and 5, blanketing Mexico. Thus stock ownership bolsters the government's official leverage through regulatory law.²⁷

In addition, the government funds Channel 11, operated by the National Polytechnical Institute, and can produce programs directly over that outlet and 121 other low-power video cultural stations, some of them part of a projected educational cable system.²⁸

Since 1976 over Channel 13 the government has produced "Thanks, Doctor," a popular question-and-answer program in which physicians discuss birth-control methods and all related health problems. On the same channel on Sunday nights since early 1980, the public affairs panel of "La Hora 25" often features a public health or civic leader, who discusses social problems, including the need for smaller families. A woman attorney on this panel frequently discusses the many juvenile delinquents and prostitutes who come from poverty-stricken families with more than six children. Each time she stresses the fact that families with two or three children are more likely to have time for appropriate child guidance. Both directly and indirectly, Mexican broadcasting increasingly champions family planning.

URBANIZATION DILEMMA

A majority of Mexicans remain ill housed, ill clothed, and ill fed not only because a rapidly increasing population dumps additional potential workers into the job market faster than the economy can expand to absorb them, but also because of uncontrolled urbanization, the crowding of too many citizens in some regions, leaving too few in others to utilize resources appropriately. Demographic disequilibrium strains distribution and communication facilities.

Half the republic's citizens live in 14 percent of the

²⁷Consejo Nacional de Radio y Televisión, *Reglamento de la Ley Federal de Radio y Televisión* (México, D.F.: Secretaría de Gobernación, 1973), Articles 49-58.

²⁸Noriega and Leach, *Broadcasting in Mexico*, pp. 49, 60, 70.

²⁹Wayne A. Cornelius and Robert V. Kemper, eds., *Metropolitan Latin America* (Beverly Hills, Calif.: Sage Publications, 1978), chapters 1, 2; "Human Settlements: Urbanization," *Comercio Exterior de México*, December, 1978, pp. 493-499.

³⁰"Visión Económica del País," *Tiempo*, March 9, 1981, pp. 19-20.

³¹John R. Chance, "Recent Trends in Latin American Urban Studies," *Latin American Research Review*, vol. 15, no. 1, 1980, pp. 183-188.

national territory, the central region or Valley of Mexico, with industries jammed into the metropolitan areas of Mexico City (and the adjacent state of Mexico), Monterrey and Guadalajara, despite vigorous government programs to decentralize industry through tax incentives, government investments, and public corporation branch expansions.²⁹

Mountainous Mexico has few rolling plains, scant level farmland, and a climate ranging from deserts to swamps. Only 14 percent of Mexico's surface is cultivated for crops or grazed by livestock, despite a vast network of hydroelectric projects that add irrigated acreage to land without enough natural rainfall to support agriculture. The agricultural sector of the economy does not increase more than 2 percent a year, although the Banco de México reported that in 1980 the gross national product grew 7.4 percent and was expected to do at least that well in 1981.³⁰

One social pressure remains only partially measured. The government reports that the totally unemployed represent 26 percent of the potential work force; but the underemployed—those working four to six months a year or half-time year round—should also be counted, giving a truer drain-on-the-economy measure of 45 percent unemployed or underemployed.

Major Mexican cities are urbanizing at a rate of at least 6 percent a year, although local and federal officials often cannot accurately measure the annual rate of increase. They rely on data about inner-city slums and government housing projects, but lack significant information about the ever-growing squatter settlements that ring each metropolitan area.³¹ Wooden, cardboard, and tin huts, without running water or plumbing, are slapped together from building scraps by those who live in vacant lots. These arrivals from the countryside seek nonexistent unskilled jobs.

The Government's Basic Commodities Corporation (Compañía Nacional de Subsistencias Populares or CONASUPO) not only buys all basic crops at subsidized prices to aid farmers, but also maintains a chain of retail stores throughout Mexico to sell basic foods at subsidized prices. Some 7,500 CONASUPO stores in the poorest neighborhoods of each town and city sell corn, wheat, rice, flour, eggs, condensed milk,

(Continued on page 387)

Marvin Alisky, who founded the Arizona State University Center for Latin American Studies and was its director for seven years, has taught at the University of California at Irvine, Indiana University and Princeton University. He has written 16 books and monographs, including *Latin American Media: Guidance and Censorship* (Ames: Iowa State University Press, 1981) and *Historical Dictionary of Mexico* (Metuchen, N.J.: Scarecrow Press, 1981).

"Awash with oil, Mexico has not found solutions to poverty, hunger, malnutrition, income inequalities, or fragmentation along sectarian lines, nor has it been able to reorder its anachronistic social and political organization."

Mexico's Poor

BY SALVATORE BIZZARRO

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ECONOMICALLY and socially, Mexico faces a historic turning point. Relatively stable and peaceful for five decades, Mexico has achieved one of the highest rates of economic growth in the developing world. Yet the growth has been uneven, and the gap between rich and poor is still enormous.

The situation has led opposition parties to criticize the government in a system that lacks meaningful elections, and has driven young militants underground. During the last few years, terrorism, kidnappings, bank robberies, army ambushes, and the illegal occupation of land have shaken the stable image of Mexico. To militants the answer to the country's problems is revolution.

President José López Portillo's (1976-1982) answer has been a show of evolutionary changes to make his administration more responsive. In his inaugural address almost five years ago, the President asked the urban and rural poor to forgive Mexico "for not yet lifting them out of their misery" and promised to improve their lot. But this has not quieted the revolutionaries, who regard his actions as palliatives that have failed to deal with Mexico's basic ills.

In terms of its vast oil resources, Mexico appears assured of rapid development and a bright future. With 100 billion barrels of proven petroleum reserves, 40 billion barrels of probable reserves and 250 billion more of potential reserves, revenues from oil should bring in more than US\$10 billion by 1983. This means that in just a few years since the oil bonanza was announced (1977), Mexico has acquired the means to transform itself without having to pay the price of a long and painful primitive capital accumulation. Yet events do not reflect this happy vision. In the last five years, most of Mexico's oil revenues were spent on nonproductive goods and services (imported food-stuffs, highways) and only a small amount was productively invested (new oil refineries, farming). In spite of an annual growth in the gross national product (GNP) of more than seven percent since the mid-1970's, living standards have not improved. In fact, the conditions of the peasants have admittedly deteriorated.

Of the nearly 70 million Mexicans, less than 5

percent live in luxury; another 20 to 30 percent enjoy the relative ease and comfort of the middle class; and the majority, more than 60 percent, struggle for survival. In the countryside, three-fourths of the population cannot be said to live in "homes" at all, crowded into one-room shacks, often as not on bare earth, and without water or sanitation. The urban poor suffer also.

When one begins to look away from the optimistic oil statistics, the picture is not reassuring. In spite of its natural wealth the nation has long suffered from lack of education, poor communications, inefficient bureaucracy and outright political corruption—all of which have kept it from development. Lavish playgrounds for international jet-setters exist almost side by side with depressed villages, offering bitter contrast between glamorous wealth and morbid reality. Thus far, oil has not provided the cure for such chronic malaise as overpopulation, poverty and underemployment.

Mexico has a booming population of young people under 15. At least half of the Mexican people (35 million) live at the lower, frayed end of the economic spectrum or outside the economy—the landless peasants, the migrant workers, the urban jobless, the homeless, the Sierra Indians, the wandering beggars, the sickly prostitutes, and the nameless uneducated who are "unemployed or unemployable." Figures released in September, 1980, by the Banco Nacional de Comercio Exterior (the government's Foreign Trade Bank) showed that, whereas in 1958 the richest 5 percent of the population had an income 22 times that of the poorest 10 percent, 20 years later the gap had more than doubled. Things were worse in the countryside.¹

Despite the rapid urbanization of its population, the Mexican economy is still basically agricultural. But the economy bristles with paradoxes. A corn-growing nation, Mexico imports its tortillas. While 16,000 doctors are unemployed in greater Mexico City, more than 50 percent of the nation die without medical attention. Although natural resources abound (silver, copper, iron, coke, coal, manganese, zinc, mercury, graphite, sulphur, rubber, hemp, sugar, tobacco, gas and oil), Mexico is finding it difficult to reduce its heavy trade dependence on the United States.

¹"Mexico: A Survey," *Euromoney* (London), March, 1981, p. 4.

Food production has not kept pace with an annual population growth rate of 2.9 percent, which guarantees continued widespread hunger and wipes out more than half of the GNP increase. It is ironic that Mexico must export a great deal of the food it produces in order to pay for industrial products and maintain a reasonable balance of payments.

The rural poor are trapped: the arable land available for distribution has just about run out. Today, there are 3.5 million farm hands with a right to land, but there is no land to give them. Land scarcity has led peasants to invade unprecedented numbers of landholdings in the countryside, where violence has often erupted because of disputes between the peasantry and the land barons. Only a few of the campesinos that have laid claim to the land may eventually win title to it, as a gesture of pacification on the part of the López Portillo administration.²

LAND REFORM

Mexico's 1910-1917 Revolution abolished the rule of the *hacienda*, or large estate, but subsequent inequalities in land redistribution, exploitation and neglect have left the peasants almost as they were in pre-revolutionary times.

All Mexican Presidents have had to deal with the problem of land redistribution. The Mexican constitution of 1917 legalized the redistribution of land, and by 1943 allotments had been made to more than 1.7 million farmers in parcels (*ejidos*) averaging 11.5 acres of farmland per person.³ Mexico was to be transformed largely from a country of haciendas to one of *ejidos*. Since then, Presidents have placed differing emphases on land reform. Some emphasized land development and productivity before land redistribution. Others, like President Luis Echeverría Alvarez (1970-1976), made land redistribution a primary goal. Echeverría's last major decision as President, on the eve of López Portillo's inauguration, was to expropriate 1 million acres of land, turning it over to landless peasants. This, in turn, encouraged land takeovers. But with land seizure a possibility at any time, landowners slowed the rate of investments.

To address the agriculture problem, López Portillo raised farm prices in November, 1976, and created the State Marketing and Price Stabilization Board (CONASUPO), which purchased farm products at guaranteed prices and sometimes subsidized prices for

the consumers. Although initially López Portillo favored a continuation of the Echeverría plan, he soon realized that the redistribution of land was not addressing the problem of inequity in the countryside. As a result, he turned to an agrarian policy that emphasized exports and productivity and deemphasized land redistribution.

Arable land in Mexico is increasingly devoted to products that can be exported to the United States, like tomatoes, strawberries, coffee and fruit, or to the raising of cattle, all of which are beneficial to the balance of payments and offer a good return to landowners. In contrast, production of the traditional grains and legumes that form the basic diet of most of the Mexican population has declined drastically. In 1981, Mexico produced only two-thirds of the grains it consumes; the rest is imported mostly from United States grain dealers. In the past five years, the acre yields of basic food crops were low: the acreage planted in corn in Mexico dropped at an annual average rate of 4.8 percent; production of wheat also declined while beans and sugar were in such short supply that most people could not afford them.⁴

To alleviate the conditions of the *marginados*, the people on the fringe of society, López Portillo has organized an umbrella organization known as COPLAMAR, charged with designing an integrated approach to rural poverty. Its budget over three years has been around \$500 million, and its aim has been to give the rural poor access to health clinics, schools and regular food supplies.

All of this has worked modestly well thus far, but partly because of agricultural backwardness and bureaucratic and political corruption, more than 15 million Mexicans have never tasted milk and are undernourished.⁵ Nobody in Mexico doubts that there is corruption in COPLAMAR; corruption pervades Mexican society. There are those who defend it as an integral part of an imperfect system, because poverty and greed loosen scruples. And in Mexico, nepotism has always been practiced, from Presidents to street cleaners.

Poverty, hunger, malnutrition and disease are also the results of one of Mexico's most difficult problems: the population explosion. The high birth rate, in turn, has aggravated unemployment. Forty percent of the nation's youth cannot find work, while close to 50 percent of the Mexican workforce is either unemployed or underemployed. These percentages are not likely to decline, because the government has difficulty finding work for the 700,000 who enter the labor force every year. Although per capita income is more than \$1,200 a year, the average annual income of the Mexican worker is \$220 in the cities and around \$80 in the countryside.⁶ If a family spent this all on food, it would have far less than enough.

Because of overcrowding in the rural sector, many

²"Violence Erupts in Mexico's Land Wars," *In These Times*, September 10-16, 1980, p. 11.

³E. C. Stakman, Richard Bradfield and Paul C. Mangelsdorf, *Campaigns Against Hunger* (Cambridge, Massachusetts: Harvard University Press, 1967), pp. 1-4.

⁴"Violence Erupts in Mexico's Land War," *op. cit.*, p. 11.

⁵Kenneth F. Johnson, *Mexican Democracy: A Critical View* (Boston: Allyn and Bacon, 1976), p. 181.

⁶"Mexico: A Survey," p. 4. See also the article by Marvin Alisky in this issue.

peasants are migrating to the cities, straining the resources of urban areas. The poor performance of the country's agricultural sector is mostly to blame. Mexican agriculture contributes less than 10 percent to the gross domestic product but employs an estimated 33 percent of the labor force. The agricultural sector has been a major contributor to unemployment and underemployment, because agricultural output has fallen from an average 5 percent annually to 2.5 percent, significantly below the national rate of population growth.⁷ Moreover, consistently bad weather in the form of drought in the north and floods in the south has produced poor crop yields over a number of years. In the first 9 months of 1980 alone, food imports had risen 137 percent over those of the previous years.⁸

Under these circumstances, some farmland is overworked, creating lower productivity and underemployment, while other land is not used, depriving peasants of needed jobs. The campesino stays poor, with few alternatives open to him and his family.

One alternative is internal migration, usually to a large city, where he looks for work. But he has few skills and little or no education. He usually ends up in a slum, with the desperately poor, the uneducated and the politically unorganized, in a small city of filth, perversion and prostitution. About 750,000 campesinos go to Mexico City each year looking for work. In fetid Netzahualcóyotl, a slum of 2.6 million people that grows like a tumor on the outskirts of the capital, clouds of smoke from burning garbage make lung congestion almost epidemic. Contaminated water adds to the filth and contributes to a death rate of more than 50 percent among small children. Other urban areas, like Monterrey and Guadalajara, experience similar conditions. The combined results of internal migration are overwhelming unemployment in the cities and joblessness in the countryside.

Faced with apparently unsolvable problems of poverty, hunger and malnutrition, López Portillo is attempting short-term solutions in the form of increased

grain production for 1982-1983. Such an increase would reduce costly grain imports and would make it easier to meet the domestic demand for foodstuffs. (It is unlikely, though, that it would create new jobs.) During his visit to the United States in June, 1981, the Mexican President discussed bilateral trade and Mexican immigration with President Ronald Reagan. With hunger a growing problem, food is particularly important. López Portillo also asked the United States President to recognize that Washington could do a great deal to alleviate internal pressures stemming from social contradictions in Mexico.

In an attempt to improve strained relations with its southern neighbor, the Reagan administration responded with positive action. Attorney General William French Smith outlined the administration's proposal to permit 50,000 Mexican "guest workers" into the United States on a temporary basis and called for amnesty for an estimated 2.7 million Mexicans who have entered the United States illegally and are now living in this country.⁹ To the latter, he wants to grant legal status and to make them eligible for citizenship after 10 years of continuous residence.

At home, the Mexican President called for greater justice through economic development that would favor the poor. In an economic plan announced in 1979, the first goal of the administration was to decentralize the economy and provide social balance. New industry would be located in the north, near the border with the United States and away from industrial centers such as Mexico City and Monterrey. Most of the new petrochemical industry would be located in the south, close to the gas and oil fields. A 10 percent value added tax (VAT) was introduced to ensure that Mexico's new-found oil wealth would not be dissipated in private consumption. The tax, however, was rescinded in 1980 for about 300 basic foodstuffs,¹⁰ making it clear that the López Portillo administration was sensitive to the charge that in Mexico "only the poor pay the taxes." Imposing the value added tax on luxury items, the government was attempting to redress the balance.

In January, 1981, López Portillo announced a rise in minimum wage rates in various regions and cities of Mexico. Although the areas adjacent to the United States border still showed wages 55 percent higher than those in the south, the differential between rural and urban wages was eliminated. The size of the wage increases ranged from 16.7 percent in Ciudad Juárez and northern Baja California, at the highest end of the scale, to 50 percent in several southern regions, where the official minimum remains the lowest. The average increase was 32 percent, slightly ahead of the 1980 inflation rate, and was likely to be several points higher than the 1981 increase in the cost of living.¹¹

In addition to raising the minimum wage and providing food subsidies for the poor, the government

⁷Congressional Research Service of the Library of Congress "Mexico's Oil and Gas Policy: An Analysis" (Washington, D.C.: U.S. Government Printing Office), December, 1978, pp. 36-37.

⁸"Review of the Economic Situation in Mexico," *Banco Nacional de México*, vol. 57, no. 662 (January, 1981), p. 9.

⁹"Reagan Attempts to Neutralize Mexico," *The Guardian*, June 24, 1981, p. 24. In August, 1981, the measures were presented to the United States Congress but were criticized by a wide consortium of Hispanic, labor, religious, and civil rights leaders, who charged that the measures would create a special category of exploited laborers who would be left without the benefits of United States labor and minimum wage laws or other civil rights. For excerpts of the plan, see page 385 of this issue.

¹⁰"Mexico: A Survey," *op. cit.*, pp. 9-17.

¹¹"Mexico," *The Quarterly Economic Review of Mexico* (London: First Quarter 1981), p. 8.

increased by 40 percent other social welfare programs, mainly in the areas of health and education. In addition, the income tax on earnings of up to three times the minimum wage was reduced by 35 percent.¹²

That policies of this type can work is evidenced by the eight percent growth in the gross domestic product in 1980.¹³ Other changes announced by the economic plans were the wiser use of energy, especially oil, setting targets for export quotas until the end of the century to insure that inflationary disasters caused by uncontrollable oil exports would be avoided; the encouragement of foreign trade; increases in agricultural and industrial development; the refurbishing of the tourist industry; and less dependence on the United States.

At the same time, the government was playing down some disturbing signs: a \$34-billion foreign debt; a 27-percent rate of inflation, an unsuccessful effort to eradicate income inequalities; a failure to do more than (at best) match the net annual increase in the size of the potential work force (still leaving untouched the massive core of unemployed and underemployed); and a possible devaluation of the peso by the end of 1981. The possibility of an impending devaluation and the failure to turn oil earnings into sustained industrial growth were worrying not only López Portillo but every other Mexican economist. Manufactured exports had all but dried up, and the administration tacitly accepted defeat on the industrial front by further raising its tariff barriers (85 percent of all imports now face special license requirements).¹⁴

The prospects of a big drop in oil earnings caused by the world's oil glut added to fear of devaluation. Bankers were jittery, and at least one major bank was computing the rest of 1981 on the basis of a 29-peso dollar, as opposed to the current rate of just over 24.¹⁵

In a nation where oil was providing three-fourths of the export earnings, nearly one-third of the government revenues, and most of the funds for needed social programs, these projections were disheartening. After the cancellation of the French oil contract in June, 1981, as a result of Mexico's refusal to follow other Organization of Petroleum Exporting Countries (OPEC) and lower its oil prices, Mexicans feared that the country might experience a \$4-billion to \$5-billion shortfall in oil earnings by the end of 1981.¹⁶

Moreover, oil prices were not the only problems confronting Mexico's leaders. Other commodities, like precious metals and coffee, also underwent a sharp fall in prices, and tourism was in a slump.

Mexico's mood today is exceedingly grim. Mexicans face an unnerving economic stalemate, despite a statistical display of adequate growth; aspirations that rose in keeping with the nation's oil earnings have become "mounting frustrations"; there has been an alarming increase of violence in the countryside and in the cities, usually followed by government repression; and the dejected skepticism has afflicted the nation's poor as they listen to revolutionary parrot rhetoric.

Many Mexicans believe that the myth of the Mexican Revolution must be refurbished. For too long, Mexican workers and peasants have been deprived of an active part in national decisions. Awash with oil, Mexico has not found solutions to poverty, hunger, malnutrition, income inequalities or fragmentation along sectarian lines, nor has it been able to reorder its anachronistic social and political organization. And the ruling party (Partido Revolucionario Institucional), although it knows it can win elections, can no longer be sure that it can govern.

Violence and terrorism have been on the increase in states like Sonora, Michoacán, Guerrero and Yucatán, where most of the rural poor live. Land grabbings, bank robberies, kidnappings, political killings all point to the inefficiencies of the Mexican system and call attention to the fact that Mexico is a country that cannot feed itself. Excessive wealth on the one hand, and dire poverty on the other, underscore the basic problems of feeding, clothing, housing, educating, and finding new jobs for the growing legions of young Mexicans.

In the face of these woes, President López Portillo has been asking from \$3 billion to \$5 billion more in foreign credits to finance the nation's inflation-wracked development projects. But with just about a year to go before the end of his term, there is doubt that the Mexican President has the capacity to generate major political initiative. This will be a task for his successor, who will inherit a nation confronting one of its worst fiscal-social crises since the revolution. Whether oil can manage to ease Mexico's chronic

(Continued on page 393)

Salvatore Bizzarro has just returned from Mexico and Cuba and has made many trips to South America in the past 15 years. He is the author of the *Historical Dictionary of Chile* (Metuchen, N.J.: Scarecrow Press, 1972) and of *Pablo Neruda/All Poets the Poet* (Metuchen, N.J.: Scarecrow Press, 1979); has been a contributor to the *Hispanic American Report* (Stanford University); has been on the editorial board of the *Latin American Yearly Review* (Paris, France); and has written many articles for scholarly journals.

¹²*Ibid.*, p. 6.

¹³*Ibid.*, p. 4.

¹⁴"An Oil Producer in Troubled Waters," *Latin America Weekly Report* (London: Latin American Newsletter), WR-81-28 (July 17, 1981), p. 9.

¹⁵*Ibid.*, p. 9.

¹⁶"Mexico Oil Cutback Could Boomerang on Nation's Development," *The Christian Science Monitor*, July 9, 1981, p. 4. See also the article by George Grayson in this issue.

Mexico's economic development plan "undoubtedly embraces goals that cannot be realistically reached within the current sexenio, and it may contain significant gaps in administrative coordination, scientific and technological planning and educational priorities; yet, as the initial stage of a long-range development program, it is impressive in its comprehensive nature and in the recognition it accords to strategic sectors essential to balanced growth."

Mexico's Economic Development Plan

BY JAMES H. STREET

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SINCE the energy crisis riveted the attention of the world in 1973, Mexico has been transformed from an economically depressed, oil-importing country into the fourth largest producer of petroleum in the world. If production in Iraq does not recover to former levels, Mexico may continue to rank fourth. Its proven oil and gas reserves exceed 60 billion barrels, and the nation's oil production, which reached 2.55 million barrels per day in mid-1981, nearly tripled within five years.¹ Before the price disturbances of July, 1981, oil exports were scheduled at the rate of 1.4 million barrels a day, of which nearly half were destined for the United States. In 1980, Mexico displaced Venezuela as the fourth largest supplier of oil to the United States.

Although Mexico is not a member of the Organization of Petroleum Exporting Countries (OPEC), until very recently it based its export prices for petroleum on OPEC levels, and in 1980 earned over \$10 billion from oil exports, while retaining half its output for domestic use. Extraction costs of producing crude oil have been estimated at less than one-tenth of the average export price.

This transformation in its economic fortunes presents Mexico with an exceptional opportunity and, at the same time, a great risk. Well into his term of office, in March, 1979, President José López Portillo launched an exceedingly ambitious "global plan" for industrial, agricultural, educational and rural development, under which the government proposed to utilize the newly available petroleum resources to relieve unemployment and malnutrition and to accelerate the industrial development process.² However, in the meantime, a number of severe bottlenecks began to constrict the food supply, transportation and

urban services; and doubts arose about the country's financial and monetary stability. With insistent frequency, the government was obliged to turn its attention to crisis management rather than to longer-term development goals.

Failure to overcome these sectoral bottlenecks and lapses in public confidence may subject Mexico to a condition known as the "oil syndrome," already experienced by Iran and Venezuela, in which accelerated inflation is accompanied by growing external dependence and internal economic disorder. Little time remains for the present leadership to carry out its program, because presidential elections are scheduled for July, 1982, and a new administration will take office in December, 1982. The sexennial succession required by the Mexican constitution rarely affords time for one administration to define and execute its purposes before a new government asserts its claim to an independent policy.

This condition has given rise to expressions of frustration and impatience. In a public appeal for support late in 1980, President López Portillo asserted: "It is universally recognized that the country's future is assured, yet it is here, within our own country, that we are full of doubts about our future."³ He complained that the great opportunity offered by abundant oil resources is being threatened by "destructive confrontation, disorder, inefficiency, lack of understanding, egotism and corruption."

The development of the Mexican economy in this critical period is inevitably affected by its relations with its larger neighbor to the north. Although Mexico has struggled to attain economic independence from the United States and has steadily and deliberately reduced the share of its oil exports sold to the United States from 90 percent in 1977 to about 60 percent in 1980, most of the new investments in Petroleos Mexicanos (PEMEX), the state petroleum company, and in other Mexican industrial enterprises have come from the United States, which supplies the necessary technology. A disastrous drought in 1979 forced Mexico to allocate a large portion of its petroleum earnings to the importation of basic foodstuffs

¹Alan Riding, "The Mixed Blessings of Mexico's Oil," *The New York Times Magazine*, January 11, 1981, p. 24; "Mexico, in Switch, Will Lift Oil Price," *The New York Times*, June 17, 1981, pp. D1, 5.

²Estados Unidos Mexicanos, Poder Ejecutivo Federal, Secretaría de Programación y Presupuesto, *Plan Global de Desarrollo 1980-1982* (Mexico, D.F., April, 1980).

³Riding, "The Mixed Blessings of Mexico's Oil," p. 24.

obtainable in sufficient quantity only from the United States.

In December, 1980, conflict over access to fishing resources led the Mexican government to terminate fishing agreements with the United States and may give rise to long and acrimonious dispute as each nation asserts claims to important marine food resources and undersea mineral potentials as yet unexplored. The nearly unrestricted flow of population from Mexico into the United States also has sensitive aspects. These and other economic relationships between the two countries will be sources of strain as Mexico and the United States seek to pursue independent growth policies.

THE CRISIS MANAGEMENT PHASE

The administration of President López Portillo came to power in December, 1976, but was unable to announce the major outlines of its development plan until March, 1979, because of a financial crisis. The government of President Luis Echeverría Álvarez had followed a policy of heavy foreign borrowing, deficit spending and monetary expansion to promote a continuation of what appeared to be a vigorous and sustainable growth trend. However, in 1974 the industrial world was plunged into the worst recession since World War II, in which the decision of the OPEC cartel to quadruple the price of oil was a significant factor. Mexico, still under the necessity of importing some petroleum products for domestic use, experienced a sharp rise in the cost of these and other imported goods. At the same time, export earnings and revenue from tourism declined.

The adverse shift in the terms of trade had a devastating effect on Mexico's current account in the balance of payments. A deficit of less than \$1 billion in 1972 was more than quadrupled by 1975.⁴ In the same period, the external public debt nearly tripled, from \$4.8 billion in 1972 to \$13.5 billion in 1975. The peso, which had been remarkably stable since 1954, came under pressure, and frequent rumors of impending devaluation resulted in a heavy flight of capital and the conversion of about \$1.5 billion of domestic savings accounts from pesos into dollars during the first eight months of 1976.⁵

⁴Economic performance data are taken from Inter-American Development Bank, *Economic and Social Progress in Latin America: 1979 Report* (Washington, D.C., 1980).

⁵Manuel Guitian and Carl-Johan Lindgren, "Mexico's Adjustment Program Shows Success in Reducing Inflation Rate, Payments' Deficit," *IMF Survey*, April 17, 1978, p. 120.

⁶*Ibid.*, p. 121.

⁷Alan Riding, "Mexico Grapples with its Oil Bonanza," *The New York Times*, May 7, 1978, p. F3.

⁸Ann Crittenden, "Food Trade: Increasing Dependence," *The New York Times*, International Economic Survey, February 8, 1981, p. 9.

Finally, in August, 1976, the Mexican monetary authorities could no longer stem the tide and were obliged to permit a de facto currency devaluation in two stages that aggregated 42 percent. The Mexican economy was by this time so closely linked to the fate of United States-commercial banks that the Board of Governors of the Federal Reserve System and the United States Treasury Department provided an emergency stabilization loan of \$600 million to underwrite the peso, and this was followed shortly by a loan of \$1.2 billion granted under exceptionally liberal terms by the International Monetary Fund. By the end of 1978, Mexico ranked second, after Brazil, among the developing nations of the world in the size of its external public debt, which has soared to \$27 billion. In that year, nearly 60 percent of the country's export earnings were required to service this debt.

In addition to a monetary crisis, on assuming office the López Portillo administration was confronted with Mexico's first experience with modern stagflation. Consumer prices had been fairly stable in Mexico before 1973, rarely rising as much as 5 percent, but in that year the cost of living index rose by 11 percent and in the last four months of 1976, the inflation rate, on an annual basis, reached 60 percent.⁶ The government reduced its planned expenditures and imposed wage restraints and was able to bring the inflation rate down to 29 percent in 1977 and 18 percent in 1978. But by the end of 1980, consumer prices were again rising at an annual rate of 30 percent.

Mexico's real growth, which averaged 6.1 percent from 1971 to 1974, was reduced to 2.1 percent in 1976 and 3.3 percent in 1977, but recovered to 8.0 percent in 1979. In relation to a high rate of population growth, per capita gross domestic product actually declined in the worst years of the recession, and since imported goods were insufficient to make up the gap, most Mexicans experienced a decline in their standard of living.

For many, the reduction was measured in unemployment and underemployment. No satisfactory figures are available, but extensive loss of jobs and widespread underemployment were generally believed to have affected at least half the population and caused exceptional numbers to cross the border.

Mexico was further afflicted during this period by the necessity to import increasing quantities of food. Agricultural imports totaled \$400 million in 1976 and rose to \$700 million in 1977.⁷ The drought of 1979 so drastically reduced domestic supplies that the Compañía Nacional de Subsistencias Populares (CONASUPO), the government's food distribution agency, raised its estimates of needed foodgrain imports to 11 million metric tons for 1980, two and a half times the volume imported during the previous year.⁸ By September, 1980, the cost of food purchases in the United States reached \$2 billion.

These circumstances meant that the López Portillo administration was obliged to spend nearly half its term in office in crisis management while it was trying to assemble the elements of its global development plan. Although the President feared the "economic indigestion" that might result from a sudden inflow of oil revenue, he was soon persuaded to abandon the existing policy of strict conservation of oil resources in favor of an expansion of operations by PEMEX so that Mexico's oil export capacity could be used to alleviate the recession and restore the economy to a growth path. Industrial efficiency to overcome the high costs of import substitution industries was emphasized. SIDERMEX, the national steel company, was one of the first enterprises reorganized to establish a more efficient base for industrial recovery.

In March, 1979, the administration announced that it would put into effect a National Industrial Development Plan, placing priority on the growth of basic industries in preference to labor-intensive industries.⁹ While the latter were regarded as a desirable means of creating employment, it was feared that they would build additional inefficiencies into the economy. Although President López Portillo's term expires in December, 1982, the new development plan was projected to extend from 1979 until 1990, since the planners realized that projects of the magnitude contemplated could not be completed in the sexenio.

In diagnosing Mexico's previous experience with industrialization, the administration found that there had been five major defects: First, reliance on domestic markets alone had resulted in plants that were too small in scale and not competitive in world markets. Second, industry was too heavily concentrated in the Valley of Mexico, Guadalajara and Monterrey. Third, production had been biased toward the import substitution of consumer goods, and raw materials had been exported without securing the benefits of domestic processing. Fourth, the market structure was polarized, with a few large oligopolists and a mass of small firms coexisting in a precarious relationship. Fifth, Mexico had become too dependent on other countries for capital goods, especially new technology, and financial assistance. The industrial development plan was designed to overcome these structural imbalances.

The basic development strategy of the plan was projected in three stages. The first was to overcome the financial and commercial disorganization arising

from the devaluation of the peso in 1976 and to restore confidence in Mexico's productive capacity. The authors of the plan asserted that this objective had been substantially achieved early in 1979, although clearly the crisis phase was not over.

The second stage, which overlaps the third, is intended to consolidate the bases for self-sustained development. A major objective in this stage has been to reach a "platform" in petroleum production initially set at 2.25 million barrels a day. The original plan projected that this level of production would be reached by the end of 1980, yet it was actually achieved six months earlier and the target was then raised to ensure additional export capacity. Current petroleum revenue is to be the principal funding source for the further expansion of PEMEX and much of the manufacturing industry, although foreign borrowing is not excluded. In 1980, 82 foreign commercial banks combined to extend \$2.5 billion in short-term credits to PEMEX, followed by another \$1.5 billion in 1981.¹⁰

The third stage of the plan was described as the phase of autonomous accelerated growth, in which the objective is to eliminate by 1990 the unemployment and underemployment associated with a rapidly growing labor force. This stage was projected to begin during the last two years of the present administration and to continue through the 1990's. Accelerated growth is expected to be largely internally financed, initially with petroleum revenues, but increasingly with revenues from other exports.

The plan is bold in its dimensions and promises growth rates never before enjoyed by Mexico and rarely reached in other countries. The aggregate growth target was set to raise the annual increase in the gross domestic product from somewhat over 7 percent in 1979 to 10 percent in 1982 and continuously thereafter. Industry was expected to expand by 12 percent a year, and key sectors, like petrochemicals and capital goods, by 18 to 20 percent. (Iran and Venezuela projected similar growth goals for their respective development programs after 1973 but were unable to achieve them.)

In an effort to decentralize industry and reduce constraints on foreign trade, the plan designated 11 scattered development zones. Four of these will be new "industrial ports" under construction at Tampico and Coatzacoalcos on the Gulf of Mexico and at Lázaro Cárdenas and Salina Cruz on the Pacific coast. In order to provide regional employment and ensure the diversification of industry, initial tax credits of 25 percent are granted to new investors in the development zones, and an additional 20 percent tax rebate based on the number of new jobs created is permitted. Investors in the industrial ports will receive a 30 percent discount in the prices of electricity, natural gas, fuel oil and basic petrochemicals from the

⁹Estados Unidos Mexicanos. Poder Ejecutivo Federal. Secretaria de Patrimonio y Fomento Industrial. *Plan Nacional de Desarrollo Industrial, 1979-82* (Mexico D.F., March, 1979).

¹⁰Guillermo Mora Tavares, "El crédito a Pemex: 36 mil 600 millones," *Uno más Uno* (Mexico, D.F.), July 1, 1981, pp. 1, 16.

government agencies that supply them. Investors outside the development zones but in the proximity of a new cross-country gas pipeline will receive a 10 percent discount on the cost of natural gas. The government thus hopes to diversify industrial exports and alleviate dependence on oil revenue. A fundamental objective of the development plan is to turn the nation's nonrenewable oil resources into renewable industrial production.

In order to provide internal financing, the original plan, announced in May, 1979, was to expand petroleum production sufficiently to permit exports of oil and its derivatives, but not of natural gas, at a rate of 1.3 million barrels a day by 1982. This goal was the basis for setting the total production platform at 2.25 million barrels a day. Later in 1979, a bitter dispute arose between the Mexican and United States governments over the terms and conditions for exporting a relatively small amount of natural gas to the United States, and the argument was exacerbated in June by the threat of environmental damage to the Texas coast when the Ixtoc I well blew out in the Gulf of Mexico. By October, however, Mexico reached an agreement with a consortium of six United States pipelines to export 300 million cubic feet of gas a day on a sliding scale of prices indexed both to the cost of importing gas from Canada to the United States and to the price of Mexican petroleum. This agreement was approved by the United States government and laid the basis for the possible future expansion of international gas flows. Within Mexico, however, some interests oppose the shipment of any gas to the United States on conservation grounds and in the belief that expanding local industry will soon absorb the entire domestic output. Anti-American attitudes among some political groups play a large role in this opposition. PEMEX has been unable to capture all of the gas associated with crude oil extraction, and during 1980 allowed 10 percent of its production to burn in the atmosphere. This wasted gas represented more than Mexico's entire sales to the United States.¹¹

A sharp division also arose between the management of PEMEX and opposing groups within key ministries and the Chamber of Deputies as to whether the platform limit of 2.25 million barrels of oil a day would be maintained or raised to a new target of 4 million barrels by 1982. The dramatic increases in production achieved by PEMEX indicated that the new target would be technically feasible. President López Portillo repeatedly emphasized in public statements his desire to maintain the original platform; yet in March, 1980, he announced that oil production would be raised by 10 percent a year in order to maintain stable exports in the face of growing

domestic demand. There is a strong temptation to use extra earnings attainable from increased exports to retire a portion of the large foreign debt that still hangs over the economy. Conservative groups have urged such a policy.

By mid-1981, as the world market situation for petroleum shifted in the direction of relative (although possibly temporary) abundance, it was not clear that Mexico could count on ever-expanding revenues from oil exports and might have to reduce projected outlays for the multiple objectives of President López Portillo's global plan.

Among its policy constraints in the third stage of the industrial development plan, the Mexican government must face the question whether it can continue the policy of import substitution industrialization and largely autonomous investment informally adopted after World War II, which has motivated virtually every postwar administration. The global plan envisages the continuation of such a policy, but already pressures are building up for substantial modifications. In order to achieve the rapid expansion of the petroleum industry, Mexico has had to place large orders for steel and production equipment in the United States and in other industrial countries. To finance such expansion in the short run, PEMEX and other industrial firms have had to borrow heavily abroad in anticipation of future revenues. Although mixed enterprises, under Mexican law, retain nominal control over company policies, the need for advanced technology, managerial skills and marketing techniques introduces significant foreign influence. Even though Mexico has made rapid strides in industrial management, the experience of Iran and Venezuela reveals that a process of forced-draft industrialization can hardly be achieved without substantial external participation.

Mexico has also become heavily dependent on foreign suppliers, principally the United States, for food shipments in recent years. The recent drought aggravated this dependence, but the trend was already visible. Again, the recent history of Iran and Venezuela is instructive. When foreign exchange is readily available, governments almost invariably respond to domestic shortages and overt price inflation by admitting larger quantities of consumer goods that supplement domestic production, even while trying to subsidize their own farmers and protect local industry. Such imported goods are, of course, subject to world inflationary forces.

In addition to the basic Industrial Development Plan, which includes the expansion of the petroleum sector, the Global Development Plan embraces programs to restore Mexico to self-sufficiency in basic food production, to provide social assistance for the rural poor, and to improve urban services, transportation systems, higher education and vocational train-

¹¹Abelardo Martín, "Evitará Pemex el desperdicio de gas," *Uno más Uno* (Mexico, D.F.), July 14, 1981, pp. 1, 12.

ing. The magnitude of the global plan is suggested by its announced goal of creating 2.2 million new jobs in all sectors of the Mexican economy between 1980 and 1982.

The program to increase domestic food production was designated by President López Portillo in March, 1980, as the Sistema Alimentario Mexicano (SAM).¹² In his announcement, the President described over 40 percent of the Mexican people as chronically undernourished. The program set targets to achieve self-sufficiency in corn and bean production by 1982 and in rice, wheat, soybeans and sorghum by 1985. SAM's aims are not only to raise the levels of food production and the efficiency of farmers, but to improve standards of nutrition and increase money incomes for small farmers who constitute the majority of agricultural producers in the country, even though most of them produce only enough food for their own subsistence.

The SAM program is, therefore, a significant complement to the industrial development program, since it anticipates that much of the increase in effective employment will take place in rural areas and that the income generated among farmers will increase the markets for the output of domestic industry.

Although Mexico had a good record in increasing total and per capita food production until the mid-1960's, most of the gains were made in large-scale commercial and irrigated farming areas. The success of the SAM program will depend heavily on the voluntary effort of masses of uneducated peasants, and the difficulties of attaining a goal of self-sufficiency in basic food production within three years are enormous.

The agricultural development program is supplemented by an extensive and heavily financed social assistance program to deal with rural poverty. Determined to cut through the bureaucratic resistance that he believed had impeded assistance to the indigenous people on the fringes of society known as *marginados*, President López Portillo established a

new umbrella organization called the Comisión para las Zonas Marginadas (COPLAMAR).¹³ This commission absorbed 11 existing government agencies concerned with rural assistance.

The organization's aim is to reduce the social and geographic isolation of the rural poor by giving them increased access to health clinics, regular food supplies and drinking water, as well as by building 15,000 miles of feeder roads. Financing will be provided by COPLAMAR, which utilizes member agencies to execute its projects. During the first three years of the regime, the commission operated with a budget of about \$500 million, but with the anticipated flow of oil revenue, investment in COPLAMAR projects was scheduled to increase to \$4 billion over the three final years of the sexenio. An injection of this quantity of money income into the rural economy of Mexico is unparalleled and may have disruptive as well as beneficial effects.

HIGHER AND VOCATIONAL EDUCATION

The Mexican government recognizes that the nation cannot carry out its development plans without creating a larger pool of skilled manpower related to the management and technical needs of the growing economy. In 1978, 46 percent of Mexico's population was under 15 years of age, and projections made by the Latin American Demographic Center (CELADE) indicate that this age group in the population is not likely to drop below 41 percent by the year 2000.¹⁴ The National Council for Science and Technology (CONACYT) has estimated that the school-age population between the ages of 5 and 24 increased by 18.7 million between 1970 and 1980, reaching a figure of 34.9 million by 1980, roughly equivalent to the entire 1970 population.¹⁵ The task of trying to provide free universal education for so large a mass of children has been burdensome and has been reasonably successful only in the metropolitan zones.

The great majority of Mexican adults remain functionally illiterate, especially in the poorer regions. By 1975, for the country as a whole, nearly 70 percent of the male population over 30 years of age (who constitute a large part of the labor force) had not completed four years of primary schooling.¹⁶ In the

(Continued on page 388)

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¹²Alan Riding, "Mexican President Emphasizes Farming," *The New York Times*, April 9, 1980, p. A9; Abelardo Martin and Carlos Ferreyra, "El SAM, esfuerzo totalizador," *Uno más Uno* (Mexico, D.F.), August 6, 1980, pp. 1, 7.

¹³Alan Riding, "Mexico, Flush with Oil, Remembers Its Rural Poor," *The New York Times*, September 21, 1980, p. 3.

¹⁴"1978 World Population Data Sheet" (Washington, D.C.: Population Reference Bureau, March 1978), p. 1; Centro Latinoamericano de Demografía, "América Latina: Índice de Crecimiento de la Población en el Periodo 1950-2000," *Boletín Demográfico* (Santiago, Chile), vol. 7 (January, 1974), p. 13.

¹⁵Consejo Nacional de Ciencia y Tecnología, *National Program for Science and Technology, 1978-82* (Mexico, D.F., October, 1978), p. 55.

¹⁶*Ibid.*, p. 56.

"Despite internal inconsistencies, blatant contradictions, and the curious timing of Mexico's development schemes, the presence of oil has enabled an economy that was floundering in the mid-1970's to increase gross domestic product . . . 8 percent in 1979 and 7.4 percent in 1980." Nonetheless, this specialist warns, "oil may prove to be a mixed blessing."

Oil and Politics in Mexico

BY GEORGE W. GRAYSON

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MEXICO's President José López Portillo once observed: "You can divide the countries of the world into two types, the ones that have oil and the ones that do not. We have oil." The discovery of vast oil deposits has converted his country from a player of bit parts to a rising star on the international economic and political stage. When López Portillo took office in 1976, *Petróleos Mexicanos* (PEMEX), the state oil monopoly, reported production of 327,285 barrels per day (bpd), exports of 34,470 bpd, and proven reserves of 6.3 billion barrels. By September, 1981, the President reported that daily output had reached 2.6 million, about half of which was sold abroad. PEMEX also boasted proven deposits of over 70 billion barrels, probable holdings of 30 billion, and potential reserves of 300 billion. On the basis of these figures, believed by some observers to be exaggerated,¹ Mexico claims to be the world's fourth largest producer and fifth largest possessor of oil and natural gas.²

Escalating prices combined with expanded production have raised Mexico's hydrocarbon export earnings from \$311 million in 1976 to \$10.4 billion in 1980, with revenues for 1981 originally predicted to surpass \$18 billion. Oil wealth not only generates petrodollars, but also enhances the country's attractiveness to foreign bankers, who have flooded into Mexico City to offer loans on increasingly favorable terms. The availability of these resources has made decision-makers optimistic about their nation's future. As Díaz Serrano, director-general of PEMEX, expressed it:

For the first time in its history Mexico enjoys sufficient wealth to make possible not only the resolution of economic problems facing the country, but also the creation of a new permanently prosperous country, a rich country where the right to work will be a reality.³

*See for details the article by James Street in this issue.

¹The reliability of PEMEX's reserve figures are discussed in George W. Grayson's *The Politics of Mexican Oil* (Pittsburgh: University of Pittsburgh Press, 1980), pp. 71-73.

²The text of Díaz Serrano's report appears in *Comercio exterior de México*, vol. 27, no. 4 (April, 1981), pp. 134-142.

³*The Christian Science Monitor*, August 8, 1979, p. 22.

⁴*Latin America Weekly Report*, May 23, 1980, p. 10.

Observers have christened López Portillo's administration the "*sexenio de planes*" because of the plethora of plans unveiled to channel oil monies to productive use. Most ambitious is the Global Development Plan, released in April, 1980, which defines four broad national goals.* While long on abstractions, the plan is short on specific instruments to achieve such objectives as an 8 percent annual growth rate, a 4 percent rise in agricultural production, and an increase in investment to 27 percent of national income by 1982. It is contemplated that private consumption, although increasing by 7.7 percent a year, will command a smaller percentage of aggregate demand. How the affluent will be persuaded to reduce their procurement of luxuries in order to meet this goal has yet to be specified.⁴

Despite internal inconsistencies, blatant contradictions, and the curious timing of these development schemes, the presence of oil has enabled an economy that was floundering in the mid-1970's to increase gross domestic product (GDP) 8 percent in 1979 and 7.4 percent in 1980. The same period has witnessed a remarkable expansion—spearheaded by the government—of investment and industrial activity, both focused on the booming petroleum sector.

Yet oil may prove to be a mixed blessing. Venezuela, Nigeria, Iran, and other nations have already suffered the disease now afflicting Mexico, namely, "petrolization," a term that connotes unhealthy reliance on the hydrocarbon sector—with attendant growth in capital and luxury imports; foreign indebtedness; public deficits; inflation; and skewed income distribution.

Hydrocarbons have generated an ever larger portion of Mexico's export earnings, rising from 16 percent in 1976 to over 65 percent in 1980 to 75 percent in the first quarter of 1981. Greater dependence on oil, gas, chemicals and petrochemicals—highly capital-intensive items—siphons resources away from economic activities that employ far more men and women in a country where nearly half of the 19-million-member labor force is unemployed or only seasonally employed. The surging flow of hard currency also inspires profligate government spending,

with deficits that nourished the 30 percent inflation rate in 1980.

Political considerations and an unwillingness to offend the international financial community (from which the Mexican government and private entrepreneurs have borrowed over \$45 billion) militate against a sharp devaluation of the peso, now overvalued vis-à-vis the dollar by at least 30 percent. Hence, spiraling inflation makes the country's manufacturers even less competitive in world markets and scares off free-spending tourists—with pressures mounting to ship even more oil to service the external debt and pay for the expanding quantity of goods and services purchased abroad. In 1980, the value of manufactured imports (\$12.6 billion) outstripped manufactured exports (\$3.4 billion) by a three-to-one margin, as Mexico registered a \$6.6-billion current account deficit in its balance of payments.

This vicious circle impedes the creation of sufficient productive jobs for the 800,000 new entrants into the labor market each year. A dearth of opportunities at home leads over one million Mexicans to seek work illegally in the United States at a time when unemployment grips 7.5 million Americans. Mexico's inability to use its riches to put people to work illuminates the continued dependence of that proud, intensely nationalistic country on its northern neighbor, with which it has a love-hate relationship.

NATIONAL ENERGY PLAN

Mexico's uncomfortable reliance on oil prompted José Andrés Oteyza, minister of patrimony and industrial development, to issue a National Energy Plan in November, 1980. This latest sectoral blueprint proposed to cool down the economy by establishing a production plateau of 2.75 million bpd until the end of López Portillo's term in 1982. Exports would be limited to 50 percent of output, and natural gas sales to the United States would be frozen at 300 thousand cubic feet (Mcf) per day. Sales abroad would be adjusted to hold the current account shortfall to 1 percent of GDP.

Oteyza urged the use of oil exports to obtain preferential financial terms from buyers, acquire advanced technology, enlarge the domestic industrial capability, and diversify trade markets, especially for manufactured goods. Henceforth, no more than one-half of Mexico's exports could be sold to a single country. This move would limit American purchases—650,000 bpd when the plan was published—to 750,000 bpd. The plan stipulates that no country may acquire more than 20 percent of its supplies from PEMEX, a provision designed to obviate outside interference in Mexico's affairs. The value-added con-

tent of hydrocarbon exports is to increase, and cooperation with other nations in the supply and development of indigenous petroleum deposits is to be encouraged.

The plan also advocates husbanding precious hydrocarbons as a "lever of development." To fight waste, it calls for higher energy charges at home. In Mexico, the prices of regular gasoline (46¢/gal.), high-test unleaded (66¢/gal.), diesel fuel (16¢/gal.), and industrial natural gas (47¢/Mcf) were far below prices in the United States. This situation gave impetus both to extravagant domestic consumption and to a \$2.8-billion rise in PEMEX's indebtedness in 1980. López Portillo is believed to have cancelled an across-the-board hike (in November, 1980) lest such an initiative spark a political firestorm.

The plan also recommends building 20 nuclear plants by the end of the century, to broaden the country's energy base and assure an alternative power source. The Laguna Verde reactors will go on line in 1983 and 1984, and an additional nuclear facility is envisaged before the end of the decade, so that nuclear energy will supply 2,500 megawatts by 1990.⁵

Nuclear power may be Mexico's hope for the future, but PEMEX is now concentrating on locating and developing oil and gas. Phenomenal strikes have boosted production in the Southern Zone 77 percent in 1980 over 1979, and the discovery of five new giant fields was reported in July, 1981.⁶ Most noteworthy in this region have been prolific offshore wells in the Gulf of Campeche, where output (which only commenced in mid-1979) has already reached 1.3 million bpd.

THE OIL GLUT

A confluence of factors—Saudi Arabia's record production of 10.3 million bpd, expanded sales by Mexico and other non-OPEC suppliers, energy conservation in the face of unparalleled crude prices, and economic stagnation in industrial nations—generated a 2 million to 3 million bpd worldwide surplus by the spring of 1981. To meet this challenge, 12 of the 13 OPEC (Organization of Petroleum Exporting Countries) members decided on May 26 to congeal crude prices at current levels and to diminish output by at least 10 percent. Saudi Arabia rebuffed the majority, and in quest of a unified pricing system that would promote long-term economic stability, it elected to maintain both its high production and its \$32.00 per barrel selling rate.

President José López Portillo responded to this action by reiterating his country's commitment never to "rat on OPEC"—an organization to which Mexico does not belong, but whose pricing policies it has closely followed. Within a week of that pronouncement, PEMEX was dispatching telexes to its clients around the world, informing them of a \$4.00 per barrel decline in charges. The price of Isthmus, the

⁵Bank of London & South America Review, vol. 15, no. 1/81 (February, 1981), p. 33.

⁶Oil & Gas Journal, July 20, 1981, pp. 89-92.

premier crude, would fall from \$38.50 to \$34.50; that of the heavier Maya variety would drop from \$32.00 to \$28.00.

This move came in reaction to market resistance. Petroleum firms with purchase contracts stressed the difficulty of passing on to their customers the high cost of crude because of flagging demand, low utilization of refineries, and soaring interest rates. Companies like EXXON and Shell claimed to be losing money on the heavier Mexican crude, while Ashland Oil—among others—had suspended purchases of 90,000 bpd. Thus Díaz Serrano acted to pacify his near mutinous clients who were pursuing less expensive supplies.

The PEMEX chief had undoubtedly informed López Portillo of the need to adjust prices—seldom does a leaf fall in Mexico without the President's knowledge!—but questions of timing and amount may not have been answered. Rather than consult the economic cabinet (composed of four ministers with economic responsibilities) as he had agreed, Díaz Serrano confronted them with a *fait accompli*. His behavior produced a number of flushed faces around Mexico City, one of the reddest of which belonged to López Portillo himself, who refused to back up his close friend, the director-general, on the dubious grounds that unreliable buyers had not been purged from the sales list as promised.

The maneuver on prices provided a convenient excuse for Díaz Serrano's detractors to unsheath their long knives. Political rivals despaired at his ever brighter prospects of becoming the country's next President; bureaucratic competitors resented the emergence of PEMEX as the most important enterprise in Mexico and, perhaps, in all Latin America; strident nationalists bemoaned Díaz Serrano's alleged kowtowing to the gringos, many of whom are his friends; and ideological foes scorned his zest for massive oil exports to "reindustrialize" the economy although this strategy would surely fuel inflation. Other critics complained about the bloated salaries and egregious corruption in PEMEX, a company run as if it were the director-general's personal fiefdom. Oteyza, who had bitterly clashed with Díaz Serrano over development policy, led the opposition.

Díaz Serrano resigned two days after slashing the export price and less than 72 hours before he was to accompany López Portillo on a state visit to meet President Ronald Reagan in Washington, D.C. In a terse, written statement, the 60-year-old petroleum engineer and millionaire entrepreneur attributed his decision to the lack of "unanimous approval of the economic cabinet for the \$4.00 reduction"; consequently, he did not wish to constitute "an element of discord. . . ." Julio Rodolfo Moctezuma Cid, a presi-

dential confidant, became the new head of PEMEX. A former minister of finance and public credit, Moctezuma Cid had most recently served as the President's special projects coordinator. In that post, he had played an active role in guiding the construction and improvement of industrial ports.

Oteyza, the nominal chairman of PEMEX, wasted no time in taking charge of petroleum policy following the change of command. In a mid-June address to Congress, he termed Díaz Serrano's decision to lower prices "precipitous"—an adjective previously employed by the chief executive—and promised to honor it only until the end of the month. He accused the industrialized countries of "basic selfishness" in demanding reductions and pledged that Mexico would "purge" from its sales list buyers who curtailed their orders. He warned that Mexico's clients must face the possibility that a "barrel lost by them today, may be lost forever." While describing the oil glut as "transitory," Oteyza emphasized that

Mexico will defend the thesis of planning over improvisation, economic cooperation over market speculation, and supply guarantees over bargain hunting.⁸

Oteyza declared later that prices would be raised \$2.00 per barrel effective July 1. Designed to recoup a portion of the estimated \$1.2 billion that would be forfeited if the lower prices prevailed until year's end, this statement provoked an outcry from buyers. PEMEX reported that oil companies were threatening to diminish purchases by more than 500,000 bpd if the change went through. Trade sources indicated that American firms alone would account for this drop. And reductions of an additional 300,000 bpd were expected from nations provisioned under government-to-government agreements.

To compensate for these losses, Oteyza hoped to expand exports to Japan from 100,000 to 300,000 bpd. The Japanese government applauded the prospect of closer economic ties, but insisted that ultimate purchase decisions resided with private companies. The \$2.00 price adjustment chilled their enthusiasm for Mexican oil at a time when supplies and storage facilities were already at their limit. Moreover, they expressed concern over the quality of PEMEX's crude and the monopoly's poor performance in meeting delivery dates. It remains to be seen when and if these firms—often disappointed in the past by the gap between Mexico's promises and performance—will expand their purchases. They lifted no crude during July.

The *Compagnie Française des Pétroles* (CPF), a Paris-based corporation, had also complained about delivery schedules and quality. On top of these problems came the \$2.00 increase, prompting CPF—in accord with provisions of its contracts—to suspend deliveries of 100,000 bpd of PEMEX crude during the

⁷*Excelsior*, June 7, 1981, p. 15-A.

⁸*Ibid.*, June 17, 1981, p. 1-A.

third quarter of 1981. In an act even more abrupt than Díaz Serrano's price proclamation, Oteyza's ministry stated its intention to exclude the French from economic projects because the oil had been furnished in the context of a broader cooperative framework. Specifically, the French would be denied further involvement in subway construction, in the steel industry, in automobile production, and in the Mexican nuclear program.

The French government, a CFP stockholder, pressed for conciliation, foreseeing lucrative opportunities for French firms in Mexico's nuclear power industry. In addition, President François Mitterrand did not want to forfeit the possible expansion of French influence in the Caribbean. Following a mid-July meeting with Mexican officials, CFP agreed to resume its 100,000 bpd imports on August 1. Participants in the session remained silent on questions of price and quality, but the terms are known to favor the CFP. Also mentioned was the possibility of increased sales to France, as well as PEMEX-CFP joint ventures in refining and distribution.

Why did Oteyza vent his wrath on France, especially when CFP acted legally and other countries had stopped imports? To begin with, he could hardly pummel fellow developing nations like India, Yugoslavia or the Philippines. Sweden, which had halted purchases in March, was too small to pick on, while the United States majors—EXXON and Shell, which had led the flight from Mexico—were too large. Moreover, the shrewd Japanese avoided a confrontation; they simply neglected to denominate tankers to pickup cargoes. Daily exports, which had exceeded 1 million barrels during the first quarter of 1981, plunged no more than half that volume in July. In this alarming situation, Oteyza attempted to apply as much pressure as possible to a major buyer to convey his government's stern attitude toward fair-weather friends. France appeared to offer the right-sized target.

Oteyza seemed to be whistling past the cemetery when he assured the nation that exports would approach 1 million bpd in August. He claimed to have pledges from six countries (the United States, Spain, Canada, Japan, Brazil and France) and five companies (Shell, Marathon, Union Oil, ARCO and EXXON) to enlarge their purchases. In early August, 1981, PEMEX vindicated Díaz Serrano's earlier de-

cision when it rescinded all but 10 cents of Oteyza's \$2.00 increase. It offered an additional olive branch to clients in the form of a higher allotment of light crude in every delivery: 50 percent Isthmus and 50 percent Maya compared to the 40/60 or 30/70 mixes that had previously been marketed. A dramatic boost to Mexico's export drive came in August, 1981, when the United States Department of Energy contracted to take 200,000 bpd for the Strategic Petroleum Reserve until the end of the year. Under the accord, from January, 1982, to the end of August, 1986, the reserve will buy 50,000 bpd. Even attaining the 1 million bpd mark thanks to the American deal left PEMEX 336,000 bpd below the figure for which contracts had been signed.

Mexico will pay a high price for its clumsiness in dealing with a buyer's market. The downturn in oil revenues has forced a 4 percent reduction in the national budget, although the President claims that essential programs—like those in agriculture and energy—will not suffer cuts. Continuation of the glut will confront the country with four options deemed harmful to economic development: further budgetary restraint; more borrowing abroad; an elevation of the production plateau; or a combination of the three.

The haggling over quality, delivery schedules and prices has involved private American companies, not the United States government. This fact has prevented a recurrence of tensions similar to those precipitated by the natural gas pricing dispute between Mexico and the administration of President Jimmy Carter.⁹ The abundance of oil has diminished Washington's aggressiveness in seeking Mexican supplies; indeed, the importation of Isthmus crude for the United States Strategic Reserve—an unprecedented country-to-country arrangement between the United States and Mexico—attracted only passing attention in both countries. Furthermore, President Reagan has made a conspicuous effort to ingratiate himself with his Mexican counterpart. The men have held two face-to-face sessions—one in January, 1981, before President Reagan's inauguration; the other six months later—which gave rise to communiqués emphasizing harmony and mutual admiration. The Mexican leader fulsomely complimented the American by affirming that, as in John F. Kennedy's day, there is a man in the White House who understands Latin America's problems.¹⁰

President Reagan has nourished this spirit of neighborliness by downplaying one of the few innovative (if naive) planks of his campaign platform: the creation of a "North American Accord" among Canada, Mexico and the United States.¹¹

A convergence of interests supposedly occurs because Mexico and Canada are net energy exporters. Access to technology and capital would heighten their ability to extract and sell more resources. And the

⁹These tensions are discussed in George W. Grayson's article, "The U.S.-Mexican Natural Gas Deal and What We Can Learn From It," *Orbis*, vol. 24, no. 3 (fall, 1980), pp. 573-607.

¹⁰Foreign Broadcast Information Service, *Daily Report* (Latin America), July 20, 1981, p. M-1.

¹¹For an analysis of this subject, see George W. Grayson's "The Maple Leaf, the Cactus, and the Eagle: Energy Trilateralism," *Inter-American Economic Affairs*, vol. 34, no. 4 (spring, 1981), pp. 49-75.

proximity of American buyers would slash transportation costs. As dollars flowed north and south from the world's safest and most prosperous market, Washington could take comfort from its reduced dependence on the mercurial sheiks, religious zealots and radical generals of key OPEC members, which, like 13 Lilliputians, have attempted to pinion the American Gulliver—a condition painfully evident during the Iranian-Iraqi war.

Although the notion of an economic troika sounds promising, its chances of being implemented are nil. López Portillo and Canada's Premier Pierre Elliott Trudeau have turned thumbs down on trilateralism, fearing that behind the slogans of togetherness lurks a plot to despoil them of precious hydrocarbons. Canada and Mexico have been compared to mice in bed with an elephant; despite assurances of goodwill, they fear being suffocated or crushed by their mammoth bed partner. This common plight, combined with assertive nationalism in both countries, has triggered a flurry of Mexican-Canadian bilateral activities in energy, trade and technology transfer. For example, 50,000 bpd of crude now flow to Canada from Mexico, which has assured Ottawa of its interest in exploring the acquisition of Canadian nuclear know-how.

López Portillo's willingness to join the United States in a Caribbean Basin Initiative has cheered official Washington. While still being refined, this concept springs from a desire to contain the advance of revolutionary marxism by fostering economic growth and political stability in the 22 countries of the area. Emphasis would lie in tumbling barriers to trade among the participants, minimizing obstacles to foreign and domestic private investment, and enlarging the amount of aid disbursed to recipient nations. For example, the United States Department of State and the Office of Special Trade Representative, joint United States coordinators of the program, favor a generous increase in assistance over the \$412.8 million requested from Congress for the region in fiscal year 1982. Such monies would be drawn, in part, from other aid programs. If the venture gets off the ground in fiscal 1983 as projected, Japan and the West European countries might be invited to join the United States, Canada, Venezuela and Mexico in future years. The American emphasis on free enterprise and private investment has made the plan suspect in many Caribbean countries.

Mexico has attached three conditions to its participation: that any such undertaking exclude military aid; that its overall purpose be to assist the peoples of the region, rather than to launch an anti-Communist crusade; and that no country be automatically excluded from its benefits. Officials from Mexico and the United States reject any characterization of the proposal as a "mini-Marshall plan": the Americans because their country intends neither to pour billions

of dollars into the program nor to undertake it alone; the Mexicans because they resist the anti-Communist orientation of the European program.

Ultimately, Mexico's foremost contribution may be the inclusion of the Joint Oil Facility. Under the facility, established with Venezuela on August 3, 1980, both countries agreed to supply up to 160,000 bpd to nations of the area on special terms. Specifically, they grant credits to beneficiary countries amounting to 30 percent of their respective oil purchases for a period of five years at an annual interest rate of 4 percent. However, if the resources stemming from these credits are devoted to energy development, the credits may be extended to 20 years at 2 percent yearly interest.

Supplies of petroleum are shipped in accordance with commercial contracts signed by Venezuela or Mexico with the individual purchasing nation, and an effort is made to export the oil in vessels operated by the Caribbean Multinational Shipping Company. All countries of the area, including Cuba, are eligible to participate in the program, which must be renewed annually.

The oil mechanism satisfies several Mexican policy goals. It expands the purchasing power of countries that run chronic trade deficits with the Spanish-speaking "Colossus of the North." It permits López Portillo to display genuine concern for poorer nations' energy problems, which he proposes to ameliorate with a "global energy plan." And it lets Mexico associate itself with such revolutionaries as the Sandinistas in Nicaragua—a move designed to curry support with leftists at home—while promoting economic stability in a region where guerrillas intend to do to political structures what OPEC prices have done to economies.

In case diplomacy and oil shipments fail to immunize the ancient Aztec nation from the turmoil besetting Central America, in December, 1980, Mexico's mixed-bag armed forces—now boasting additional cavalry battalions, new aircraft, domestically produced armored vehicles, a broad-based supply of G-3 automatic rifles, and a revitalized reserve—looked southward in conducting maneuvers near the country's principal oil reservoirs and most vulnerable point: the Guatemalan border.

Even though he is amenable to regional undertakings, López Portillo insists that enduring solutions

(Continued on page 393)

George W. Grayson is the author of *The Politics of Mexican Oil*, published earlier this year by the University of Pittsburgh Press. His most recent articles have appeared in *Foreign Policy*, *Orbis*, *Inter-American Economic Affairs*, and the *Journal of InterAmerican Studies and World Affairs*.

BOOK REVIEWS

ON MEXICO

THE POLITICS OF MEXICAN OIL. *By George W. Grayson.* (Pittsburgh: University of Pittsburgh Press, 1981. 283 pages, bibliography, notes and index, \$21.95, cloth; \$6.95, paper.)

Mexico has become the fifth largest producer of hydrocarbons in the world, with an abundance of reserves in newly developed fields. George Grayson "analyzes the role of oil and the oil sector in Mexico's domestic and foreign affairs." In 1938, Mexican President Lázaro Cárdenas expropriated 17 foreign oil companies and formed the state monopoly called Petroleos Mexicanos (PEMEX), which has "served as a model for the creation of national petroleum corporations in other developing nations."

Grayson has written a thorough account of how oil has shaped modern Mexico's people and politics and suggests some ways in which Mexico's "prodigious oil reserves . . . can be devoted to development . . . to uplift the country's masses." O.E.S.

THE AZTECS: A HISTORY. *By Nigel Davies.* (Norman, Oklahoma: University of Oklahoma Press, 1980. 363 pages, bibliography, notes, references and index, \$15.95, cloth; \$7.95, paper.)

This is a well-written book about the rise of the Aztec peoples and their destruction by the Spaniards in the 1500's. Nigel Davies describes the high level the Aztec civilization reached and how the people lived. Excellent maps and photographs add to the book's interest and value. O.E.S.

PERU: THE AUTHORITARIAN TRADITION. *By David Scott Palmer.* (New York: Praeger, 1981. 134 pages, notes and index, \$8.95, paper.)

David Palmer describes his views of the Peruvian political system in light of the Peruvian heritage, culture and tradition. He evaluates the government after the military takeover in 1968, the changes that have since been made, and the challenges still to be met. O.E.S.

AGRICULTURE, BUREAUCRACY, AND MILITARY GOVERNMENT IN PERU. *By Peter S. Cleaves and Martin J. Scurrah.* (Ithaca: Cornell University Press, 1980. 329 pages, bibliography and index, \$22.50.)

The authors describe the successes and failures of the agrarian reform measures introduced by the military government of Peru following the military takeover in 1968. O.E.S.

HISTORICAL DICTIONARY OF MEXICO. *By Donald C. Briggs and Marvin Alisky.* (Metuchen, N.J., and London: The Scarecrow Press, Inc., 1981. 275 pages, foreword, introduction and bibliography, \$15.00.)

There are over 1,200 entries in this handy dictionary, which not only covers historical events and persons but provides valuable information on contemporary Mexico's political leaders. Key Cabinet ministers in the administrations of Alemán, Ruís Cortines, López Mateos, Díaz Ordaz, Echeverría and López Portillo are listed, as are prominent industrialists, heads of government corporations, labor leaders, artists, musicians, writers and educators. Descriptions of Mexico's 31 states and capitals and its major cities are included. Social relationships and norms and other cultural features of Mexican society are covered, and there are useful definitions of popular phrases and slang and information about popular songs, dances and dress. A brief introduction surveys important forces in the development of modern Mexico, and an excellent bibliography is included. This volume is one of a series of 22 Latin American Historical Dictionaries prepared under the editorship of A. Curtis Wilgus.

Mary M. Anderberg

THE MAYA, rev. ed. *By Michael D. Coe.* (New York and London: Thames and Hudson, Ltd., 1980. 180 pages, forewords, chronology, 192 illustrations, maps, charts, list of illustrations, selected bibliography and index, \$19.95, cloth; \$9.95, paper.)

This is a revised and enlarged edition of Michael Coe's highly respected study of Mayan civilization, which was originally published in 1966. The revised edition incorporates new data and the results of recent Mayan archaeological discoveries and scholarly research, in particular, the advanced understanding of Mayan hieroglyphic writing and iconography and Mayan dynastic history. Coe's clear prose and richly illustrated text make his work as interesting for the average traveler to the Mayan lands in Mexico and Guatemala as it is valuable for serious students and scholars. M.M.A.

LATIN AMERICA: A CONCISE INTERPRETIVE HISTORY, 3d ed. *By E. Bradford Burns.* (Englewood Cliffs: Prentice-Hall, Inc., 1981. 310 pages, glossary and index, \$10.95, paper.)

E. Bradford Burns describes "some of the major forces that, through time, have shaped Latin America" and the changes that must take place to "harness the tremendous resources of Latin America and the talents of its varied people." O.E.S. ■

CURRENT DOCUMENTS

U.S. POLICY ON MEXICAN IMMIGRATION

Testifying before the Senate Subcommittee on Immigration and Refugee Policy and the House Subcommittee on Immigration, Refugees and International Law, on July 30, 1981, United States Attorney General William French Smith outlined the "major overhauling and strengthening of United States immigration and refugee policies proposed by the President's Task Force on Immigration and Refugee Policy," noting that the United States has "lost control of [its] borders." A new United States immigration policy is of enormous interest to Mexico and to those interested in Mexican-United States policy. Relevant excerpts from the Attorney General's testimony follow:

Illegal immigration to the United States has increased drastically in recent years, to a point where it likely equals or exceeds legal admissions. In 1964, approximately 50,000 illegal aliens were apprehended in the United States. By 1979, the number of apprehensions had risen to more than one million. Although estimates vary considerably, most fix the illegal alien population of the U.S. at between three and six million, perhaps one-half of whom are Mexican nationals; and the illegal population grows by 250,000 to 500,000 persons each year. . . .

The administration proposes five related initiatives to curtail illegal immigration. . . .

Together, the five elements of the President's strategy should reduce substantially illegal immigration by expanding opportunities to work lawfully in the United States—through the experimental temporary worker program and legalization—and by prohibiting employment of those outside of these programs.

The first element is a long-needed strengthening of enforcement of existing legal authorities. . . .

Second, the administration will propose that it be made unlawful to hire illegal aliens. We cannot depend solely upon deterrence or interception at the border. The availability of employment in this country at relatively high wages without regard to legal status will continue to "pull" illegal migration. We cannot seal the border, and efforts to apprehend and deport illegal aliens in the interior is a costly and, at best, partial solution. The only credible enforcement measure remaining is a prohibition on hiring illegal aliens. . . .

Third, the administration will seek legislation to establish an experimental temporary worker program for Mexican nationals. The hiring of some illegal aliens may be attributed to an insufficient supply of American workers for certain categories of jobs in some localities. Historically, many of these jobs have been filled by foreign workers employed in the United States on a temporary basis—frequently without having been legally admitted for that purpose. Where American workers have in fact not been available to fill these jobs, the presence of foreign workers has been enormously beneficial both to the United States and to Mexico.

Under our proposal, during a two-year trial period, up to 50,000 workers would be admitted annually for stays of from 9 to 12 months. The program would be targeted to specific areas and categories of jobs. Certain job categories would be excluded from this program in States where it was certified that there was an adequate supply of American workers. The Department of Labor would allocate the national ceiling among affected States.

Workers would be free to change employers during their stay here. Normal wage and working standards laws would apply to them, and employers would be required to pay

Social Security taxes and unemployment insurance contributions. Workers would not be permitted to bring in spouses and children; would not have access to welfare or food stamps assistance, or be eligible for unemployment compensation.

During the trial period, the program would be evaluated for its impact on American workers, the feasibility of enforcing the program's restrictions, and the benefits to the United States and Mexico.

Fourth, we must find some practical way of dealing with the illegal aliens now residing in the United States. We have neither the resources, the capability, nor the motivation to uproot and deport millions of illegal aliens, many of whom have become, in effect, members of the community. By granting limited legal status to the productive and law-abiding members of this shadow population, we will recognize reality and devote our enforcement resources to deterring future illegal arrivals. Our purpose is to deter illegal immigration and to prevent the recurrence of the circumstances we are now facing.

We therefore propose to permit illegal aliens, who were present in the United States prior to January 1, 1980, and are not otherwise excludable, to apply for the new status of "renewable term temporary resident." The status would be renewable after every three years, and after a total of 10 years continuous residence, those residents would be eligible to apply for permanent resident status if they were not otherwise excludable, and could demonstrate English language capability.

These temporary residents would pay Social Security, income, and other taxes; but would be ineligible for welfare, federally assisted housing, food stamps or unemployment compensation. They would not be able to bring in spouses and children, but could leave the country for visits to their homeland without losing their status unless they interrupted their continuous residence for a substantial period of time.

We intend the proposed enhanced enforcement measures to precede the implementation of this legalization program to assure that illegal immigration is curtailed in the future. Those aliens who do not qualify for legalization or choose not to apply would either leave the country or be subject to deportation if apprehended.

Finally, the administration recognizes that the causes of illegal immigration are international in scope and require international solutions. Accordingly, we plan to pursue negotiations with Mexico on two important matters. First, we will explore joint measures to prevent third country nationals crossing Mexico to enter the United States illegally; and second, we will seek increased cooperation in regulating immigration in the border areas, emphasizing measures directed against alien smuggling. . . .

The proposed change recognizes the special relationship the United States has with its closest neighbors. . . . ■

MEXICO IN THE 1980's

(Continued from page 356)

of intellectuals, journalists, students, some union leaders and the leftist parties—to which it must respond, particularly in the area of foreign policy. Although the Reagan administration seems unaware of it, for any Mexican President to align himself with Reagan's hard-line policy in Central America and the Caribbean would provoke intense internal opposition. Mexico's sympathetic attitude toward the Sandinistas in Nicaragua and the Frente Democratico in El Salvador is in no small part due to the strength of public opinion in favor of these groups. López Portillo, like his predecessors, has used a progressive foreign policy to defuse domestic opposition to PRI rule, and his successor (after December, 1982) will undoubtedly find himself constrained to maintain a similar policy for precisely the same reasons.

U.S.-MEXICAN RELATIONS IN THE 1980'S

In spite of a series of bilateral disputes over natural gas pricing, oil spills, tomatoes, GATT (General Agreement on Tariffs and Trade), illegal immigrants and tuna boats during the last few years, the volume of trade, investment and credit flowing between the United States and Mexico increased steadily in the late 1970's; by 1980, the total value of trade between the two countries had risen to almost \$22 billion. Mexican exports to the United States totaled \$9.7 billion, while United States exports to Mexico were \$12.1 billion, leaving a \$2.4-billion deficit for Mexico in its trade balance with the United States.⁹

Total United States direct private investment in Mexico reached approximately \$6 billion in 1980, a figure topped in Latin America only by the roughly \$8 billion that United States interests have invested in Brazil. Largely on the strength of Mexico's petroleum exports—74 percent of total exports in 1980—its imports for the oil, steel and petrochemical industries, and its imports of grain for domestic consumption, the bilateral economic relationship is likely to expand even more rapidly over the 1980's.

There are important problems that could severely disrupt bilateral economic relationships if they are not resolved. Perhaps most serious is Mexico's failure to enter the GATT arrangement in 1980. Because it is not a member of the agreement and currently offers export subsidies to domestic exporters on many of its non-oil exports, it is vulnerable to charges of dumping and to the application of countervailing duties. There is also a widespread belief among economists and international bankers that the Mexican peso is over-

valued, perhaps by as much as 50 to 100 percent, and that another devaluation, similar to the chaotic action of 1976, is likely in 1981.¹⁰ While the long-term benefits of such a devaluation—increased export competitiveness, increased tourism and lower levels of imports—might be considerable, the short-term disruptions—higher prices, lower consumer purchasing power, flights of capital from pesos to dollars—would be particularly difficult for the regime during the year of transition from the López Portillo *sexenio* to his successor.

While United States pressures on Mexico to join GATT will probably increase during the Reagan presidency, the Mexicans claim that the outstanding differences between two countries over trade issues are normal and can be dealt with in a "pragmatic and businesslike" manner through bilateral negotiations. Neither Mexico nor the United States are likely to adopt policies that would seriously endanger their bilateral economic relationships, because the costs to both countries would be too high. Neither nation can afford to allow differences in other policy areas—tuna boats, Central America, or border migration—to endanger the overall economic framework of bilateral economic relations.

Perhaps the best example of the reality of United States-Mexican relations is the recent (August, 1981) oil deal in which Mexico agreed to a 5-year contract with the United States government to supply a total of 105 million barrels of crude oil at world prices for purposes of stockpiling in the United States strategic petroleum reserve. Despite its interests in diversifying its oil supply contracts away from the United States and its open opposition to United States foreign policy in Central America, Mexico consented to long-term supply contracts with the United States because it was in its economic interests to do so. During the summer of 1981, a world oil glut had depressed prices and triggered a drop of almost 50 percent in Mexican oil sales abroad. In order to restore exports and a steady flow of revenues for its ambitious development projects, Mexico needed dependable, long-term supply contracts. For its part, the Reagan administration chose to enter into the oil deal because of its determination to fill the strategic stockpile and because the world price was favorable.¹¹

However, while both countries are heavily committed to the maintenance of a healthy bilateral economic relationship, the character of the relationship has undergone a qualitative change in the last decade. Simply put, Mexico is far more important to the United States in the 1980's than it ever was in the past, with the possible exception of the World War II period. As a result, the United States is less able today to use its economic power to influence Mexican domestic and foreign policy than it was a generation

(Continued on page 393)

⁹See *The New York Times*, August 7, 1981, p. E3.

¹⁰See *The Wall Street Journal*, July 2, 1981, p. 27.

¹¹See *The Wall Street Journal*, July 24, 1981, p. 93.

POPULATION AND MIGRATION PROBLEMS IN MEXICO

(Continued from page 369)

coffee, canned goods, poultry, tortillas, bread and other food in a dietary lifeline for families at the marginal level, running annual sales deficits of more than \$250 million (6 billion pesos).³² Yet CONASUPO purchases represent only 5 percent of Mexico's total retail food sales; millions of impoverished Mexicans are outside this basic welfare service.

A government agency, the National Fund for Workers' Housing (Instituto del Fondo Nacional de la Vivienda para los Trabajadores or INFONAVIT), finances low-rent public apartments, slum clearance and low-cost home mortgages, but since 1971 it has been able to increase each year's operations only one-tenth as much as the increase in the demand for inexpensive housing caused by rapid urbanization.

MEXICO CITY

Mexico City's greater area remains the supreme example of uncontrolled, unbalanced urbanization, a politico-economic head too large for its body. A congestion of dwellings, stores, factories, and government agencies sprawls from downtown Mexico City's principal plaza, the Zócalo, 35 to 45 miles in every direction, from the industrial city of Tlalnepantla to the north to the Indian settlements of Xochimilco and Tlalpan to the south, from Toluca to the west to Texcoco to the east. The Federal District surrounding Mexico City, originally designed to keep the federal capital territorially neutral from adjacent states, now blurs demographically with the state of Mexico to the west and north.

Six interconnected subway lines (the Metro) and hundreds of Mexico City buses are so impacted at rush hours that some passengers cannot board the trains at transfer points. Steadily rising costs for parking have encouraged more workers to shift to public transportation, as have the subsidized low-cost fares of buses, trolleys and the Metro. Yet government subsidies also keep the retail price of gasoline low enough to enable private cars to clog Mexico City streets; across the Central Valley a million vehicles produce a blanket of gray smog that defies attempts at emission controls to reduce the haze. Greater metro Mexico City overflows with 14 million residents.

Mexico's inflation rate of 30 percent for 1980 threatens to be repeated in 1981. Despite a per capita

income of \$1,200 a year, the internal distribution of national income in Mexico remains so inequitable that one-fifth of the people earn less than \$250 a year.

Mexico has become the world's fourth largest oil producer, exporting 1.5 million barrels of oil a day, accounting for 74 percent of Mexico's export earnings.³³ But petrodollars cannot finance all the increased welfare demands plus the industrial expansion. The economy needs 800,000 new jobs each year for youths elbowing into the job market, a goal not yet achieved. The 1981 federal budget of \$99 billion (2,332 billion pesos) allots \$38 billion to public corporations and government investments, some 37 percent of the total budget. Given all the other obligations of the government, that proportion cannot be increased, and hundreds of thousands of Mexicans therefore travel northward into the United States to work.

DOORS HALF OPEN

The 1,800 miles of border the United States shares with Mexico is haphazardly patrolled. Washington appropriates funds for an understaffed Immigration and Naturalization Service and Border Patrol.

Hundreds of thousands of Mexicans simply cross the border at unguarded points. The number of illegal or undocumented aliens remains conjecture. United States immigration officials estimate that at least 3.5 million undocumented Mexicans work in the United States during a given year, with a half million returning to Mexico each month with savings that they could not have amassed at home. Mexico's Gobernación and Foreign Relations Ministries estimate that between 1.5 million and 1.9 million Mexicans work illegally in the United States every year.

Some Mexican-American organizations favor allowing Mexican migrants to remain permanently in the United States to bolster a growing voting bloc in ethnic politics. Other Mexican-American groups oppose absorbing large numbers of these migrants because they will increasingly compete with Mexican-Americans for jobs.

Mexico's emigration is not just a brawn drain but sometimes a brain drain as well. Better educated, skilled, professional workers try to become a part of the annual United States legal quota of 50,000 Mexicans granted permanent residence, as a prelude to gaining United States citizenship. Some 350,000 others procure visas for extended stays for full-time study, or to accept an offer of skilled jobs, or because they have relatives in the United States.

Mexican nationals can work legally in the United States while living on the Mexican side of the border, or they can work for various lengths of time while living in the United States if they obtain a "green card" certification from the Labor Department that they are performing tasks that not enough American

³²Marvin Alisky, "CONASUPO: A Mexican Agency that Cares," *Inter-American Economic Affairs*, winter, 1973-74, pp. 37-59; "Distribución de Productos Básicos," *Tiempo*, April 13, 1981, p. 20.

³³Edward J. Williams, *The Rebirth of the Mexican Petroleum Industry* (Lexington, Mass.: Lexington Books, 1979), pp. 8-87.

citizens are willing to perform. Green-card workers and illegal aliens are of concern to United States labor unions, trying to protect the job market for their own members against foreign competitors willing to work for less.

Employers of illegal or undocumented aliens can pay minimum wages or offer very low pay based on production by the unit, whether in factories or in the fields. The days when Mexican migrants were solely agricultural laborers are past. Depending on the degree of skill required, they work in food processing, laundries, clothing manufacturing, and dozens of other trades or do custodial and repair work.

To obtain enough information on which to base new immigration policies, in 1979 the President of the United States appointed 16 members to a Select Commission on Immigration: four United States Senators, four United States Representatives, four Cabinet members, and four civic leaders. After a 20-month study, in March, 1981, the Commission presented its 1,000 page report to Congress.³⁴ It recommended that illegal Mexican aliens already living in the United States be given legal status, that the number of Mexicans allowed in annually under the legal immigration quota be doubled, and that a guest-worker program be enacted.

Congress will probably debate these three major recommendations at length in 1982. The suggested amnesty might become a magnet for increasing waves of Mexican migrants, who might assume that at a future date illegals residing in the United States would again be given legal residence. In Washington, D.C., for a summit conference on June 9, 1981, Mexican President López Portillo approved President Ronald Reagan's suggestion that a treaty might allow Mexican guest workers to enter the United States temporarily in various jobs, just as the Bracero Programs of 1942-1964 brought 200,000 agricultural workers from Mexico each year.

An especially controversial recommendation of the Select Commission—that United States employers of illegal aliens suffer fines—will spark lengthy congressional debate. But with or without such penalties the United States will not close the Mexican border. If the border were sealed, alienated Mexicans might destabilize Mexico's Revolutionary coalition. In that event, Mexico's self-replenishing elite, which preserves positive relations with the United States, might be replaced by a Marxist regime that would destroy that relationship. At present, the Communist party of Mexico (PCM), the Popular Socialist party (PPS), and the Socialist Workers party (PST) together hold

only 31 percent of the 400 seats in the Chamber of Deputies and only one of the 64 Senate seats in the federal Congress.

Even if a guest-worker program becomes law and the Mexican immigration quota for the United States increases substantially, the flow of illegals northward will not soon end. Nonetheless, siphoning off population excess through migration cannot insure stability in Mexico. Vigorous government efforts to limit population growth will help, as will innovative investment policies that expand the job market. One hopeful sign of continued governmental determination to bring the population under control appeared across Mexico in 1981 when the address of the nearest Family Planning Center was posted at all kiosks selling tickets for the widely popular government National Lottery. The question remains: Can these programs reduce political pressures sufficiently to facilitate the ongoing institutionalized Revolution?

MEXICO'S ECONOMIC DEVELOPMENT PLAN

(Continued from page 378)

less developed states of Tlaxcala, Hidalgo, Zacatecas, San Luis Potosí, Tabasco, Guerrero, Oaxaca and Chiapas, the portion of male adults with four years of schooling does not exceed 15 percent.

To achieve its economic development goals, the Mexican government must place more emphasis on vocational and professional schools, as well as on higher education in general. Under the administration of President Luis Echeverría, higher education expanded vigorously. Between the 1970-1971 and the 1975-1976 academic years, university enrollments doubled from 251,000 to 500,000 students, representing an annual rate of increase of 14 percent.¹⁷ New institutions were created, so that each state had its own university, and the dominant National Autonomous University of Mexico (UNAM) was joined by a smaller rival, the Metropolitan Autonomous University (UAM), with three campus locations established in Mexico City. In addition, the number of technological institutes controlled by the Secretariat of Education was expanded from 22 to 48.

Unfortunately, the growth in private employment opportunities during the Echeverría period did not match the rapid increase in university graduates, and students remained in the universities as a sort of shock absorber to avoid entering the ranks of the unemployed. Reacting to the financial crisis of 1976, the López Portillo administration initially restricted spending on education but began to stress innovations

³⁴Select Commission on Immigration and Refugee Policy, *U.S. Immigration Policy and the National Interest* (Washington, D.C.: Select Commission, March 1, 1981), 1,000 pages, executive summary 30 pages.

¹⁷Roberto Arizmendi Rodríguez, "Políticas de la educación superior," paper presented at the first Inter-American Congress on Educational Administration, Brasília, Brazil, December 10-17, 1979.

that would raise the standards of admission to the universities and train students in fields more closely related to the development needs of the economy. The Secretariat of Education created a terminal vocational school program designated as CONALEP, which is intended to divert as much of the demand for higher education as possible. Six schools have been built under this program, and 20 more are planned.

At the same time, entrance examinations were established for students seeking to enter UNAM from secondary schools not directly associated with a university. In 1979, UNAM crowded 75,000 students into its football stadium for the application of its admission examination; 30,000 were denied admission to the university. In a further effort to relieve some of the pressure on its main campus, UNAM created five branch campuses, from which students cannot readily transfer to the central university. These branches comprise National Schools of Professional Studies (ENEP), which grant degrees for specialized curricula.

In March, 1980, the Subsecretariat of Higher Education announced a new National Plan for Higher Education that will form part of the global development plan, to extend until 1990. Essentially, the plan provides for a complex pyramidal structure through which some 140 institutions of higher education will compete for funds by filtering their requests through three layers of interest groups and government coordinators. State and federal governments provide about 90 percent of the funding of universities in Mexico.

The underlying motive for so vast and complicated a plan is to reduce the local and regional disparities in the way funds for higher education have been allocated. In a study of higher education by Noel McGinn and Susan Street, they point out that,

Universities in the Federal District receive much more subsidy per student than do those in the provinces. UNAM receives about 40 percent of the total for about 25 percent of the students, but there is no evidence available to show that the quality of instruction at UNAM is better than at the state universities.¹⁸

The machinery established for allocating the higher education budget seems unduly cumbersome, and there is little assurance that the National Plan for Higher Education will meet its primary aim—the formation of human resources specifically related to the requirements for social development. As President López Portillo has said,

Higher Education has to link itself with the occupa-

tional system with the objective not of forming professionals for frustration, but rather persons capable of locating or generating their own sources of work.¹⁹

Missing from the educational plan is a comprehensive program for developing the research function of universities and establishing priorities for the types of investigation to be stimulated in relation to the industrial and agricultural development plans.

THE EMERGENCE OF BOTTLENECKS

At this stage of the evolving global development plan, Mexico is experiencing bottlenecks that are remarkably similar to those which confronted Iran and Venezuela at a corresponding stage in their respective oil boom periods. The first and most obvious of these is an inability to absorb the rapid inflow of foreign exchange earnings from petroleum exports before they generate an uncontrollable domestic inflation. Both Iran and Venezuela were unable to solve this problem, and the results were highly unstabilizing. Various methods of “sterilizing” (temporarily setting aside and demonetizing) the excess funds and directing them gradually into productive channels are under discussion, but no clear strategy has been defined.

To some extent, the problem of excess income has been averted by the expansionary requirements of PEMEX, which could be met only by buying large supplies of equipment with supplementary borrowed funds from abroad, and by the food imports necessitated by the 1979 drought, which also required payment in dollars. But inevitably there has been a considerable dollar injection into the urban income stream, which has been reflected in a rise in luxury consumption and contraband trade that has fed inflation.

Both Iran and Venezuela responded to this problem by allowing a substantial increase in consumer goods imports to relieve domestic shortages, but this was not accomplished without considerable cost to the import substitution industries that had been established previously and an increased dependence on foreign sources of supply.

Another severe bottleneck has arisen in the transport system, particularly when it became necessary to more than double the imports of foodstuffs in 1980 as compared with 1979. Mexican railroads have deteriorated from years of neglect, and the condition of the ports reflects the fact that two-thirds of the country's foreign trade has traditionally been conducted overland with the United States. Since in 1979 there were only 34 berthing positions for ships in the entire country, vessels were reported to have to wait up to 90 days to unload, while port facilities were so antiquated that some grain carriers required 20 days to be emptied.²⁰

In August, 1980, the Secretariat of Communica-

¹⁸Noel F. McGinn and Susan L. Street, *Higher Education Policies in Mexico*, Technical Papers Series, No. 29 (Austin, Texas: Institute of Latin American Studies, University of Texas at Austin, 1980), p. 5.

¹⁹*Ibid.*, p. 5.

²⁰Alan Riding, “Mexico Acts to End ‘Bottlenecks,’” *The New York Times*, International Economic Survey, February 3, 1980, pp. 1, 13.

tions and Transport announced plans to lease 29,000 boxcars from United States railroads for use in delivering grain within Mexico.²¹ Because the transport system was unaccustomed to handling large tonnages of grain, much of the imported corn, wheat and soybeans was offloaded by hand into sacks and stored on the ground. Moreover, when the rail cars were emptied, many poor people converted the weather-proof cars into trailer camps for use in the winter. By the end of the year, it was estimated that about 45,000 boxcars, belonging to the railroads of both Mexico and the United States, had been tied up in interior zones of the country. It will take some time for the industrial development plan to cope with these transport shortages, and in the meantime, deliveries of machinery and petroleum may be delayed.

Bottlenecks are also common in urban services, particularly in Mexico City, which continues to grow at a phenomenal rate. The underground Metro system, which has been in operation in the central district for only a dozen years, is already overtaxed, and there are long delays as people seek to go to and from work each day.

With an estimated population of 14 million people, which has been projected to reach 29 million by the end of the century, Mexico City is also chronically short of water. In 1979, it was estimated that two million people in the capital did not have access to piped water, and households that were connected to the water system often received only intermittent service.²² Electricity, sanitation and storm sewers are correspondingly inadequate. The plan for urban improvements is directed to alleviate these deficiencies.

Perhaps the most severe bottleneck confronting the nation is the need to match the process of job creation with the rapid increase in the labor force, which reflects the high rates of population growth and urbanization. The new industrial development plan is projected to create 600,000 new jobs a year beginning in 1982, but an additional 200,000 workers are expected to enter the labor market each year. Not only will it be necessary to match numbers of jobs to available workers, but the educational shortcomings already described will place constrictions at the critical levels of business management and government administration. Even if the employment goals of the plan are met, an appreciable spillover of excess manpower into the United States labor market is likely to continue.

²¹"Para traer grano se aquilarán 29 mil furgones del extranjero," *Uno más Uno* (Mexico, D.F.), August 3, 1980, pp. 1, 13.

²²"Water for Mexico City," *IDB News*, vol. 7, no. 6 (August, 1980), p. 3.

²³"Mexico to Limit Oil Exports," *The New York Times*, November 20, 1980, p. D13.

Mexico has advantages over Iran and Venezuela in coping with the current bottlenecks that resemble the beginnings of the latter countries' "oil boom syndrome," or what Mexicans increasingly refer to as the evils of *la petrolización*. The nation has already undergone a major social revolution and is conditioned to rapid social change; it does not have to overcome the deep cultural divisions that have recently beset the Iranian people. Unlike Iran and Venezuela in 1973, it has a moderately developed industrial base which, while characterized by high-cost production and indifferent quality standards, provides a cadre of experienced managers and administrators who can face the challenge of accelerated growth. The achievements of PEMEX in meeting early production goals, though they have not been attained without false starts and bureaucratic confusion, are evidence of the industrial experience acquired by the state petroleum enterprise since nationalization of the industry in 1938.

Moreover, in putting forward the elements of his global development program, President López Portillo has demonstrated a clear and intelligent vision of the strategic development needs of the country. The plan undoubtedly embraces goals that cannot realistically be reached within the current sexenio, and it may contain significant gaps in administrative coordination, scientific and technological planning and educational priorities; yet, as the initial stage of a long-range development program, it is impressive in its comprehensive nature and in the recognition it accords to strategic sectors essential to balanced growth.

The success of the global plan will in large part depend on whether the nation's leadership in government and in the private sector can overcome traditional tendencies toward over-bureaucratization, factionalism, and corruption in order to further the multiplicity of programs and specific enterprises that are involved. While these institutional tendencies have worked against previous efforts, a pragmatic aspect of Mexican behavior is embedded in the culture and can be a future source of strength. The character of the prospective national administration during the next sexenio may prove decisive.

The Mexican government has taken great pains in the recent period to establish its independence of the United States in making decisions affecting the national interest. The termination of fishing agreements and the announcement in November, 1980, by José Andrés Oteyza, Minister of Natural Resources and Industrial Development, that Mexico would limit its oil exports to 1.5 million barrels a day, with no more than half the total going to any single country (clearly directed at the United States), are examples of such assertions of independence.²³

Nevertheless, Mexico's prospective requirements in

food imports, certain export markets, border trade, technology and finance will entail a continued close economic relationship with the United States. A relationship of interdependence between Mexico and the United States as well as other industrial or food-exporting nations need not be harmful to the long-term development of either country if it is accepted pragmatically as part of a general condition of mutual need and if there is a reciprocal understanding of the differing political and cultural aspirations.

The United States needs to diversify its sources of petroleum products until it can carry out a long-range program of energy substitution which may, incidentally, turn out to be technologically beneficial to smaller countries, like Mexico, when their oil reserves run out. Despite recent political difficulties with the United States, Mexico will no doubt maintain and may even increase its crude oil and natural gas exports to this country as the most readily available market. The ease of making delivery and the high costs of processing liquefied gas and of shipping oil to other markets will make contractual agreements mutually attractive. Balance-of-payments considerations will also encourage exports to the United States. The Mexican government's desire to eliminate the vestiges of the 1976 crisis, and the evident expansionist leadership of PEMEX will reinforce a tendency to accelerate petroleum production despite the lingering efforts of local groups to return to a strict conservationist policy.

During a period of domestic inflation, unemployment and underemployment, the population outflow from Mexico to the United States will probably continue and may even expand. Preliminary studies made by the Inter-American Development Bank indicate that the principal source of migration is shifting from the border and rural regions of Mexico to the major cities (the Federal District and Guadalajara), which are exceedingly overcrowded. The United States will probably come to accept this form of immigration as a normal adjustment of the continental labor force to economic opportunity, and means will be found to legitimize it. The pronounced structural shift in the age composition of the United States population and its implications for the maintenance of an effective old-age retirement program will make the acceptance of younger migrants progressively easier, and the Mexican government is likely to interpose no objection.

The return flows to Mexico will also become more

significant with time. These flows will include the money income from oil exports and the considerable immigrant remittances, whose volume is only now beginning to be measured. They will also include the real flow of consumer goods and basic foodstuffs—chiefly cereals and edible oils—from the United States. This flow takes both legitimate and clandestine forms and will undoubtedly increase even as Mexico continues to develop its industry and modernize its farming. The operation of comparative advantage between the two countries will prove increasingly difficult to disregard.

Above all, Mexico will continue to be culturally affected by a technological society whose scientific, technical and engineering contributions are irresistible to a growing society. A piecemeal process of rendering technological behavior an indigenous process is already under way.²⁴ The United States will, of course, receive reciprocal benefits from increasing contact with a rich and diversified Indo-Latin American culture.

What we are witnessing is an inexorable process of cultural diffusion, in which functional economic integration is being impelled by the increasing recognition of new forms of resource and demographic complementarity that bind Mexico and the United States (as well as Canada). President Ronald Reagan and several economic analysts have advanced suggestions for the creation of a formal tripartite North American Common Market, especially in energy. While there are evident complementarities that could be built into an international agreement, a comprehensive preliminary study by Aaron Segal and Wallace Koehler has concluded that a constellation of more limited bilateral agreements, often involving private groups rather than government-to-government relations, is more likely to emerge.²⁵

In any event, Mexican government officials, intellectuals and many business leaders strongly resist the concept of a formal arrangement which, they believe, would tie their nation permanently into a dependent relationship with their more powerful neighbors to the north, and which would rapidly deplete Mexican natural resources. A prominent Mexican writer has warned North Americans that "Mexico is a nation, not an oil well!" Others have also expressed concern that, in its overriding preoccupation with the solution of its energy problem, the United States will incorporate Mexico into its "military security zones," with dire consequences for Mexico's national sovereignty. The political abrasions will no doubt continue, but the economic forces for cooperative relations are likely to prevail. ■

AGRARIAN REFORM

(Continued from page 360)

Taken as a whole, the government's claim that the

²⁴James H. Street and Dilmus D. James, *Technological Progress in Latin America: The Prospects for Overcoming Dependency* (Boulder, Colorado: Westview Press, 1979), pp. 1-28.

²⁵Aaron Segal and Wallace C. Koehler, *Canada-Mexico-USA: Prospects for Energy Cooperation* (Knoxville, TN: Energy, Environment, and Resources Center, University of Tennessee, November, 1979).

New Law merely codifies SAM is not convincing. SAM aims at an integrated approach which balances production and welfare and concentrates on the neglected regions; the New Law comes down heavily on the side of production. Though the political-bureaucratic maneuvering is obscure, it appears that the *Samistas* were excluded from the formulation of the New Law, whose sponsors are more likely to be found in SARH and in an entirely different set of presidential advisers.

CONCLUSIONS AND SPECULATIONS ABOUT AGRARIAN POLICY

Forecasting is difficult, especially about the future (and doubly so, one might add, when the future concerns public policy in Mexico). But three conclusions seem plausible. One, regardless of whether SAM succeeds in its specific timetable for food self-sufficiency, much more money and effort is being devoted to agriculture; production will increase substantially; and self-sufficiency is indeed attainable. Two, SARH can mulch every plant in the nation with 1,000-peso notes, but unless the rains are sufficient and timely, self-sufficiency will be unsustainable. Three, SAM and the New Law appeared so late in the President's term that they cannot be fully implemented before the succession; thus, their future rests with the next President's interpretation of the agriculture problem.

Beyond this, one must speculate. It seems reasonable to hypothesize that those who will benefit from SAM and the New Law in the short run are the better organized and managed farms. Strengthened by recent policies, these interests are likely to push for further benefits or for the protection of their gains. SAM officials seem confident, however, that the smallholder-rain-fed emphasis can be preserved, even in the face of success in attaining food self-sufficiency. To accomplish this, it would seem that two requirements must be met: the *Samistas* must continue to convince key elites (and public opinion to a lesser extent) of the wisdom of investing in the more backward forms of agriculture; since the longer-term success of SAM depends on administrative rather than market mechanisms, they must also overcome a truly impressive record of inefficiency, corruption and maladministration in the public sector.

The question in Mexico's new agricultural strategies is whether the enormous sums now flowing into agriculture can generate a productive base that can create employment and produce basic commodities with reasonable efficiency. If this is accomplished, then disruptions in petroleum earnings or even the longer-term decline in energy exports are less fearsome to contemplate. But the hard choices remain for López Portillo's successor: how to create a productive base that is also politically just. ■

REFORMA POLITICA IN MEXICO

(Continued from page 364)

any real expectation of winning. On March 1, 1981, at its 29th Congress, the PAN leadership announced that the party would sponsor a candidate, the choice to be made from among three hopeful "pre-candidates": Pablo Emilio Madero, grandson of the revolutionary leader, Francisco I. Madero; Hector Terán Terán, leader of the party for the state of Coahuila; and Abel Vicencio Tovar, the party's national chairman. On March 9, the PCM's Secretary General, Arnaldo Martínez Verdugo, recommended to his party's nineteenth congress that the PCM should take the initiative in proposing a candidate to be supported, if possible, by all parties and groups to the left of the PST. According to press speculations, potential candidates of such a leftist coalition are: Pablo González Casanova, former rector of the National University; Heriberto Castillo, leader of the as yet unregistered PMT; Francisco Martínez de la Vega, a prominent left-wing journalist and former PRI governor of the state of San Luis Potosí; and Martínez Verdugo himself. However, one leftist party, the recently registered PRT, has already split any potential unity of the left by announcing the candidacy of Rosario Ibarra de Piedra, chairperson of the Committee to Defend Political Prisoners, Persecutees, the Disappeared and the Exiled, and the mother of a student activist who has "disappeared" as a political prisoner.

When interviewed in March, PDM officials indicated that they would have an independent candidate in 1982 but mentioned no names.¹⁰ Representatives of the satellite parties, PARM and PPS, as well as the PST, said that they would not decide on whether to present candidates until their party congresses, after the "unveiling" of the PRI candidate in the fall of 1981. This would indicate that these parties will probably fall in line behind the PRI candidate.¹¹ However, in late June, Rafael Aguilar Talamantes, the PST Secretary General, said that if his party were not satisfied with the PRI candidate, a PST candidate would be proposed, namely the present PST deputy, Juan Manuel Elizondo.

Jesús Reyes Heróles, former Secretary of the Interior who is generally credited with the actual authorship of the reforma política, foresees "a radical transformation of political life," in a system in which the majority decision can "predominate in all its

¹⁰Author's interview with Jesús Zamora Flores, PDM press officer, March 4, 1981.

¹¹Author's interviews with General Luis Torres Fuentes (PARM), March 4, 1981; Hildebrando Gayton M. (PPS), March 6, 1981; and Diputado Juan Manuel Elizondo (PST), March 3, 1981.

fullness."¹² Would it be too much to suggest that the former minister believes that through the reforma política the PRI can not only eat its cake, but have it—and all the crumbs as well?

Clearly, the political reform is not going to lead to a shift in power relationships or threaten the control function of the PRI. But it may have unexpected results. Already the possibilities of wide-ranging debate are at hand; access to communications media is guaranteed to the registered opposition parties; and their participation in the electoral process is ensured. The critical role of the Chamber of Deputies has been enhanced, and the PRI has been forced to become more competitive and to show more competence. To what extent advantage will be taken of this situation will depend on the astuteness of the opposition political leadership and the sophistication of the majority party in manipulating the symbols and political bargains on which Mexican politics is based. ■

¹²Jesús Reyes Heróles' speech to the Segunda Reunión de la República, Acapulco, February 4, 1979, quoted in *El Gobierno Mexicano*, Febrero '79, pp. 93-98.

MEXICO'S POOR

(Continued from page 373)

problems remains to be seen. With high inflation, a possible peso devaluation, a soaring unemployment rate, unrest in rural areas and in the cities, and vast pockets of poverty alongside the glitter of ostentatious wealth, more and more Mexicans may challenge the legitimacy of their electoral system, leaving the country open to further political turmoil. ■

OIL AND POLITICS IN MEXICO

(Continued from page 383)

to major problems must await the reorganization of the international economic order. For this reason, Mexico co-chaired with Austria a North-South summit meeting, convened in Cancún on October 22, 1981. Of the 23 countries invited to participate, only the Soviet Union declined—on the grounds that the capitalist nations are responsible for economic dislocations. Assured that Cuba would not attend, the United States agreed to play an active role in this gathering, which focused on food, finance, trade and energy. The prevailing assumption among southern, poorer nations was that foreign assistance and concessionary access to the economies of the industrialized states were vital to their well-being.

The North-South meeting epitomized López Portillo's belief that sweeping reforms are the last best hope for less developed countries. As evidenced in Mexico itself, such an approach unfortunately shifts attention from badly needed domestic changes—higher energy charges, the introduction of labor-

intensive techniques, reduction in trade restrictions, the phasing out of politically motivated subsidies, attacks on corruption, and greater pragmatism in marketing natural resources, for example—that offer more promise to the third world than grandiose international experiments. ■

MEXICO IN THE 1980's

(Continued from page 386)

ago. In 1981, the United States has few fine-gauged policy instruments that it can use to force Mexico "into line" that would not simultaneously adversely affect important United States interests. Restricting trade or limiting investment in Mexico would hurt not only Mexican interests but also United States business; denying United States or multilateral credits to Mexico, even if such an action were possible, could cause a banking collapse in Mexico whose repercussions would be felt throughout North American and West European financial circles. A unilateral sealing of the United States-Mexican border would be extremely costly, would cause massive disruptions in the Mexican countryside where the United States is heavily invested, and would deny United States farmers and industrialists an important source of cheap labor.

Ironically, the growing intensity of economic interaction between Mexico and the United States seems to have increased Mexico's relative autonomy in both domestic and international affairs, rather than deepening Mexican dependency (as many *dependentista* analysts had predicted during the 1960's and 1970's). Today the United States has almost no policy options vis-à-vis Mexico that do not at the same time involve major costs to United States interests.

Mexico's rise to regional power status and its attendant foreign policy autonomy have forced the López Portillo administration to make fundamental foreign policy choices. Beginning with the 1978 decision to withdraw official recognition from the dictatorship of General Anastasio Somoza Debayle through its August, 1981, joint communiqué with France (in which it recognized the leftist opposition in El Salvador as a legitimate political force and called for a negotiated political settlement of the civil war), the López Portillo government has consistently adopted positions at variance with the United States.

The conflicts have been most intense with regard to alternative Caribbean basin policies—United States hostility towards Nicaragua and Cuba and military support for the Salvadoran junta—but are by no means limited to that region. In his fifth State of the Union Address on September 1, 1981, President López Portillo harshly condemned the United States decision to produce the neutron bomb, lamented the demise of the second Strategic Arms Limitation Trea-

ty talks (SALT II) and decried the growing superpower arms race.¹²

The López Portillo administration does not favor the installation of radical, Marxist regimes in Central America, despite conservative claims to the contrary. In fact, its friendly relationships in Central America are clearly designed to modify the virulence of the Sandinistas in Nicaragua and presumably the leftist opposition in El Salvador. Mexico's preference throughout Central America would certainly be a "left-wing PRI," that is, a regime similar to Mexico's one-party system: pro-capitalist, moderately pluralist, and unallied with either superpower. Confronted with a right-wing military regime like the Somoza dictatorship in Nicaragua, General Kjell Eugenio Laugerud García in Guatemala or even the Christian Democratic military junta in El Salvador (all of which the Mexicans perceive to be inherently unstable), Mexican leaders have consistently stated their preference for left-wing solutions instead of repressive military dictatorships. Such a choice is not the result of a momentary flash of anti-Americanism, or a sudden surge of machismo.

Although the rhetorical conflict over Caribbean policy is likely to escalate, as already evidenced by López Portillo's forceful remarks in his fifth State of the Union Address, it is unlikely that either side will allow such differences to produce a serious rupture. A formula of the "agree to disagree" type seems to have been established in the first official meeting between López Portillo and Ronald Reagan in Washington, D.C., in June, 1981. Both the United States press and the Mexican press reported that the personal relationship between the two Presidents was remarkably warm and friendly, much warmer than the relationship between President Jimmy Carter and López Portillo. Discussion during the meeting focused primarily on bilateral issues; foreign policy questions were touched only lightly. Mexican leaders did promise to study the Reagan administration's "mini-Marshall" plan but made no public commitment to it and are not likely to do so in the foreseeable future. President Reagan attended the North-South Summit meeting hosted by Mexico in Cancún in October, 1981, but expectations for major progress on crucial third world problems are believed to be exceedingly remote.¹³

How long can disagreement at the level of foreign policy be sustained before it contaminates other areas of the bilateral relationship? The question could be made moot by the course of events in El Salvador—a guerrilla victory, a government rout of the insurgents, or a negotiated settlement. But none of these out-

comes appear likely in 1981. If the civil war in El Salvador is prolonged, as now seems likely, there is no immediately obvious reason why the two countries cannot continue to cooperate on a bilateral basis, while differing on foreign policy questions almost indefinitely. Even in the (extreme) case of direct United States military intervention in Central America or the Caribbean, Mexico would probably intensify its condemnation of the United States in all available international forums, but it is not likely to do much else. Militarily, Mexican leaders are incapable of a response, although Mexico may continue to be a center of gun-running in the region, as it is today. Mexico cannot afford to retaliate by cutting back oil sales to the United States, restricting trade, or limiting investment. Ultimately, Mexico would be the bigger loser. Mexican influence over United States foreign policy is even more limited than United States leverage over Mexican policy.

While Mexico has clearly demonstrated a considerable degree of autonomy vis-à-vis the United States in its recent Caribbean basin policy, the limits of that autonomy are in practice narrow. Mexico's dependence on oil exports to finance domestic growth and to underwrite its foreign policy commitments is a clear example of international constraints. The recent world oil glut has led to a projected decline in Mexican oil revenues of \$5 billion in 1981, which in turn has prompted a 4 percent across-the-board cut-back in Mexico's planned federal budget expenditures for 1981. The country's increasingly difficult financial situation will restrict the availability of aid funds earmarked for Nicaragua, El Salvador or elsewhere.

Worsening domestic economic conditions—an overvalued peso, a 30 percent inflation rate, declining exports, a \$3.2-billion trade deficit, 40 percent underemployment and unemployment, a \$50-billion foreign debt, and a disastrous agricultural sector—also imply severe constraints on Mexico's ability effectively to implement its foreign policy. Beyond its sizable \$200-million aid commitment to Nicaragua and its joint oil facility for nine Caribbean basin countries, it is unclear how much more aid Mexico can actually afford without severely shortchanging its domestic priorities.

Over the López Portillo *sexenio*, Mexico has emerged as a major independent actor in hemispheric affairs. Yet in 1981, Mexico's regional power status remains tenuous. Fluctuations in the international petroleum markets, combined with pressing domestic economic and social needs, limit the resources Mexico is able to marshal to back its foreign policy initiatives. In view of the overriding importance to Mexico of its bilateral relationship with the United States, it is almost unthinkable that Mexican authorities would resort to economic reprisals against the United States over foreign policy issues, even if the Reagan administration were to undertake a unilateral intervention into a Central American or Caribbean country. ■

¹²See *The Washington Post*, August 6, 1981, p. A10.

¹³A condition for Reagan's attendance, imposed by the United States, was that Fidel Castro, President of the Non-Aligned Movement, not be invited to the meeting.

THE MONTH IN REVIEW

A Current History chronology covering the most important events of September, 1981, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arab Steadfastness and Confrontation Front

Sept. 19—Meeting in Beirut, the hard-line members of the Arab Steadfastness and Confrontation Front, Libya, Algeria, Southern Yemen, Syria and the PLO (Palestine Liberation Organization) end their 3-day conference with a call for an oil boycott of the U.S. "to confront the new strategic alliance between Israel and the United States."

Commonwealth of Nations

Sept. 30—The leaders of 41 members of the British Commonwealth open a meeting in Melbourne, Australia; Britain's Queen Elizabeth II attends as ceremonial head of the conference.

International Bank for Reconstruction and Development (World Bank)

Sept. 29—Addressing the opening session of the 36th annual meeting of the World Bank and the International Monetary Fund in Washington, D.C., U.S. President Ronald Reagan tells developing nations that the key to their economic advancement is to provide incentives for private enterprise.

Middle East

Sept. 18—Israeli and Egyptian negotiators end 4 days of talks in Jerusalem, discussing problems arising in carrying out the March, 1979, peace treaty.

Sept. 23—Egypt and Israel reopen their discussion of Palestinian autonomy for the some 1.3 million Arabs living in the Israeli-occupied West Bank of the Jordan River and the Gaza Strip.

Sept. 24—Meeting in Cairo, Israeli, Egyptian and U.S. negotiators agree to ask Palestinians living in the West Bank and the Gaza Strip to cooperate in working out a plan for Palestinian autonomy.

North Atlantic Treaty Organization (NATO)

Sept. 14—The North Atlantic Treaty Organization begins fall maneuvers in Denmark; some 28 separate exercises involving between 200,000 and 300,000 men from Norway to Turkey are involved.

United Nations

(See also *Namibia; U.S., Foreign Policy*)

Sept. 4—In a special session called to protest continuing South African rule of Namibia (South-West Africa), the General Assembly votes overwhelmingly, 114 to 23 with 6 abstentions, to refuse to permit a South African delegate to discuss a procedural point; in a 117-22 vote, with 6 abstentions, the Assembly rejects South Africa's credentials; the South African delegation leaves.

Sept. 15—The 36th U.N. General Assembly convenes; after 2 rounds of inconclusive voting, Iraqi Ismat Kittani is selected President by lot to succeed the outgoing Rüdiger von Wechmar of West Germany.

Sept. 22—Addressing the General Assembly, Soviet Foreign Minister Andrei A. Gromyko calls U.S. global

foreign policy "imperialist interference" in El Salvador and Afghanistan, and warns the Western powers against "interference in the internal affairs of Poland."

AFGHANISTAN

Sept. 10—In Kabul, demonstrators protest the September 7 government decision to recall for military service all former servicemen under the age of 35 years who retired from the military before December, 1978; hundreds of young men are reportedly leaving Kabul to avoid military service.

Sept. 20—Heavy fighting between Soviet-backed Afghan troops and guerrilla forces is reported in Kandahar.

ANGOLA

Sept. 1—South African Defense Minister Angus Malan claims that South African forces killed a Soviet army officer and captured a Soviet warrant officer during South Africa's 8-day invasion of Angola from Namibia in pursuit of South-West Africa People's Organization (SWAPO) guerrillas last month.

Sept. 3—A government spokesman claims that South African troops have begun another assault in the southern border province of Cuando-Cubango. South African military officials deny that any new attack is under way; South Africa claims it began withdrawing troops from southern Angola on August 28.

Sept. 9—In the United Nations, Angolan delegate Elisio de Figueiredo says that there are about 15,000 South African troops in southern Cunene Province.

Sept. 10—Stig Andersen, a senior official for the U.N. disaster relief mission visiting Angola, says that according to government estimates 130,000 Angolans were left homeless as a result of South Africa's invasion.

Sept. 19—Tass, the official Soviet press agency, acknowledges that 2 Soviet military special advisers were killed and a 3d was captured during South Africa's invasion of Angola.

BANGLADESH

Sept. 23—12 army officers found guilty by a military court are executed for their role in the assassination of President Ziaur Rahman in May.

BELGIUM

Sept. 21—Prime Minister Marc Eyskens submits his government's resignation to King Baudouin; Eyskens lost the support of his coalition partner, the Socialist party, when his government failed to finance a modernization program for the Cockerill-Sambre steel industry.

BELIZE

Sept. 20—At midnight, Great Britain grants independence to Belize (former British Honduras); British troops will remain because Guatemala continues to claim part of the territory of former British Honduras.

BOLIVIA

Sept. 4—The 3-member ruling military junta names General Celso Torrelio Villa President; former President Gen-

eral Luis Garcia Meza was overthrown in a military coup d'etat last month.

BRAZIL

Sept. 19—President João Baptista Figueiredo suffers a heart attack.

Sept. 20—President Figueiredo asks civilian Vice President Aureliano Chaves to serve as President until he returns to office.

CAMBODIA

Sept. 2—In Singapore, former Prime Minister (in the Pol Pot government) Khieu Samphan, former Prime Minister (in the government of Prince Norodom Sihanouk) Son Sann, and former King and chief of state Prince Sihanouk meet to form a coalition against the Vietnamese-controlled government of Cambodia.

Sept. 4—The three former Cambodian leaders issue a joint statement of their intention to form a coalition against the Heng Samrin government.

CANADA

Sept. 1—Prime Minister Pierre Elliott Trudeau announces that a 5-year agreement has been reached between the federal government and the Alberta provincial government on an oil pricing policy. Under the agreement, the federal government's revenues from oil and gas sales will increase to 29 percent from 10 percent.

Sept. 28—The Supreme Court rules that the federal government's proposal to patriate the Canadian constitution is legal; however, the court says that the plan "offends the federal principle" because 8 of the 10 provinces oppose it.

CENTRAL AFRICAN REPUBLIC

Sept. 1—Army commander in chief General André Kolingba announces over nationwide radio that President David Dacko has agreed to step down because of ill health and "political tension in the country."

Sept. 2—General Kolingba names an all-military government and declares himself head of state, Minister of Defense and Minister of War, Veterans and Victims.

EGYPT

(See also *Intl, Middle East*)

Sept. 4—In the last 2 days, police arrest 1,600 people who are considered critical of the government; they include Muslim fundamentalists, Coptic Christian clergymen, politicians, academicians, lawyers and journalists.

Sept. 5—In an address to Parliament, President Anwar Sadat denounces the Muslim Brotherhood; he accuses it of jeopardizing "the sovereignty and security of this nation." Declaring the Brotherhood "illegitimate," he closes its newspapers and dissolves 13 Muslim and Christian societies that he says threaten national unity. Sadat also cancels a 1971 agreement that recognized Pope Shenuda III as head of the Coptic Church; he replaces the Pope with a committee of Coptic bishops.

Sept. 7—A spokesman for the Ministry of Religious Endowments announces that the government will supervise nearly 40,000 mosques, permitting only approved clerics to preside at prayer services.

Sept. 10—President Sadat orders U.S. CBS correspondent Chris Harper to leave the country because of an interview Harper conducted with government critic David Hirst; Harper is the first U.S. reporter expelled by Sadat in his 11 years as President.

Sept. 11—Minister of the Interior Mohammed Nabawi

Ismail reports that 99.45 percent of those voting in yesterday's referendum approved the government's action to curb dissidents.

Sept. 13—*Le Monde* correspondent Jean-Pierre Peroncel-Hugoz is expelled for reports regarded by the government as "insulting and distorting."

Sept. 15—Deputy Minister of Foreign Affairs Gamal Mansour expels Soviet Ambassador Vladimir P. Polyakov, six members of his staff and 2 Soviet journalists; he accuses the Soviet Union of trying to undermine the government of President Sadat.

EL SALVADOR

(See also *Mexico*)

Sept. 14—A military spokesman reports that army troops have begun "search and destroy" missions against guerrillas in 8 of the country's 14 provinces.

Unidentified gunmen kill 3 more workers employed by the Agrarian Reform Institute; since March, 1980, nearly 40 employees of the institute have been killed.

Sept. 20—In Washington, D.C., President of the ruling junta José Napoleón Duarte arrives for a private visit; he is expected to meet with U.S. President Ronald Reagan and other top government officials. In an interview on television, Duarte says El Salvador does not want additional U.S. troops or any other foreign troops.

Sept. 29—In an address to the U.N. General Assembly, President Duarte says his government will not negotiate with armed leftist guerrillas.

FINLAND

Sept. 11—Because of the poor health of President Urho Kekkonen, Prime Minister Mauno Koivisto assumes presidential responsibilities until October 10.

FRANCE

(See also *Lebanon*)

Sept. 1—French President François Mitterrand addresses the opening session of a United Nations aid conference for the developing world. He pledges increased French aid through the United Nations.

Sept. 23—The Cabinet approves the government's plan to nationalize 5 major industrial corporations and 36 French banks; the plan must be approved by the National Assembly and the Council of State; implementation of the plan is expected to cost \$9 billion.

GERMANY, WEST

Sept. 2—Deutsche Presse-Agentur, the West German news agency, says it received a letter from the Red Army Faction, a terrorist organization, claiming responsibility for an explosion at the U.S. air base at Ramstein on August 31.

Sept. 13—In West Berlin, U.S. Secretary of State Alexander M. Haig Jr. arrives for a visit; thousands of protesters demonstrate their opposition to U.S. foreign policy and the North Atlantic Treaty Organization's plans to deploy nuclear missiles in West Germany.

Sept. 15—In Heidelberg, U.S. Army Commander in Europe General Frederick J. Kroessen escapes injury when terrorists fire an antitank grenade and shots into his automobile.

Sept. 16—Police defuse 2 time bombs found on a rail spur that leads to a U.S. air base in Frankfurt.

GREECE

Sept. 15—In preparation for next month's parliamentary elections, Prime Minister George Rallis submits his Cabinet's resignation.

HONDURAS

Sept. 23—In Tegucigalpa, 2 U.S. military advisers are shot and wounded by gunmen; the Lorenzo Zelaya Popular Revolutionary Command takes responsibility for the attack and also for today's bomb explosion at the Legislative Palace.

Sept. 24—In Tegucigalpa, 60,000 demonstrators protest repressive actions by the government and its security forces.

INDIA

Sept. 2—A Foreign Ministry spokesman confirms reports that the government has barred the assignment of U.S. Foreign Service officer George G.B. Griffin as political counselor to the U.S. embassy in New Delhi. The spokesman says Griffin has been rejected "to avoid unnecessary friction being introduced into bilateral relations" with the U.S.

IRAN

Sept. 1—Interior Minister Ayatollah Mohammed Riza Mahdavi-Kani is named provisional Prime Minister to replace Prime Minister Mohammed Javad Bahonar, who was killed in a bomb explosion August 30; Ali Khamenei assumes Bahonar's post as head of the ruling Islamic Republican party.

Sept. 2—Parliament endorses Mahdavi-Kani's appointment.

Sept. 3—In Teheran in 2 separate incidents, revolutionary guards fight with members of the People's Mujahedeen, a left-wing guerrilla group; since the August 30 bombing, more than 101 members of the Mujahedeen have been executed.

Sept. 5—Revolutionary Prosecutor General Hojatolislam Ali Qoddousi is killed when a bomb explodes in his office.

Sept. 11—In Tabriz, Ayatollah Ruhollah Khomeini's personal representative, Ayatollah Assadollah Madani, is killed by an assailant carrying a hand grenade.

Sept. 21—The newspaper of the Islamic Republican party, *Johhuri Islami*, reports that 45 more people were executed today; more than 1,000 people have been executed since June.

Sept. 27—Fighting erupts throughout central Teheran between members of the People's Mujahedeen and the revolutionary guard.

Teheran radio reports a surprise Iranian army attack on the Iraqi-held Iranian oil refinery in Abadan.

Sept. 28—The Iraqi general command admits that its troops have withdrawn from some areas near the Abadan oil refinery but denies that Iranian forces have retaken the refinery.

In Teheran, the government announces the execution of 57 members of the People's Mujahedeen arrested yesterday on charges of armed rebellion; in addition, 53 Mujahedeen were executed yesterday in Isfahan.

Sept. 29—Defense Minister Colonel Musa Namju, acting chief of staff Major General Valiollah Falahi, former Defense Minister and air force commander Colonel Javad Fahouri and airborne division leader and deputy commander of the revolutionary guard General Mohson Kolahdoz are killed when their plane crashes near Teheran.

IRAQ

(See Iran)

ISRAEL

(See also *Intl. Middle East; U.S., Foreign Policy*)

Sept. 1—4 U.S. F-16 Falcons are delivered to Israel, the first of the fighter bomber shipment that had been delayed by U.S. President Ronald Reagan's 2-month embargo that followed the Israeli bombing of the Iraqi nuclear reactor in June.

KOREA, SOUTH

Sept. 25—In response to a report published in *Sekai*, a Japanese publication, that 15,000 political prisoners are being held in army detention camps without trial, the South Korean embassy in Tokyo says that 3,228 common criminals are being legally detained by the authorities in forced labor camps run by the army.

LEBANON

Sept. 4—In Beirut, French Ambassador to Lebanon Louis Delamare is assassinated by 4 gunmen.

Sept. 6—A U.N. spokesman accuses Major Saad Haddad, commander of the Israeli-supported rightist militia in southern Lebanon, of violating the cease-fire.

Sept. 20—In Beirut, the Front for the Liberation of Lebanon from Foreigners claims responsibility for the 4th bomb attack in the last 4 days; 4 people were killed and 35 were injured when a bomb exploded in a movie theater in west Beirut.

MEXICO

Sept. 4—Foreign Minister Jorge Castaneda defends Mexico's joint declaration with France that recognized the guerrilla opposition in El Salvador; he says the charge by 9 Latin American nations that Mexico is interfering in El Salvador's internal affairs is "totally false."

Sept. 25—The Institutional Revolutionary party selects Miguel de la Madrid Hurtado as its candidate to succeed retiring President José López Portillo in December, 1982.

NAMIBIA (South-West Africa)

(See also *Intl. U.N.*)

Sept. 14—By a vote of 117 to 0 with 25 abstaining, the U.N. General Assembly resolves to isolate South Africa "politically, economically, militarily, and culturally," and to assist the South-West Africa Peoples's Organization (SWAPO) in its fight for the liberation of Namibia from South Africa.

Sept. 21—In Zurich, U.S. Secretary of State for African Affairs Chester A. Crocker meets with South African Secretary of the Foreign Ministry Brand G. Fourie and Administrator General for South-West Africa Danie Hough.

In Geneva, the World Council of Churches awards SWAPO a grant of \$125,000 for "administrative and legal defense costs in Namibia."

Sept. 24—Meeting in New York, the U.S., Canada, Great Britain, France and West Germany announce that they have reached agreement with South Africa and black African states on a timetable for independence for Namibia under U.N. Security Council Resolution 435.

NETHERLANDS

Sept. 2—Queen Beatrix asks Prime Minister Andreas A. M. van Agt to form a coalition government, including the Christian Democratic party, Labor and Democrats '66.

Sept. 11—Queen Beatrix swears in the new government headed by Christian Democratic Prime Minister Andreas van Agt.

NICARAGUA

- Sept. 5—The Ministry of the Interior announces the arrest of Leonel Poveda Sediles, an Under Secretary of Commerce, and 11 other people for plotting to overthrow the government.
- Sept. 9—The ruling junta declares a year-long state of economic and social emergency.

NORWAY

- Sept. 15—After 2 days of nationwide parliamentary elections, the Conservative party wins a majority of seats in the 175-member Parliament, defeating the Labor Party, which has ruled for 8 years. Conservative party leader Kare Willoch will succeed Labor party leader Gro Harlem Bruntland as Prime Minister.

PAKISTAN

- Sept. 15—President Zia ul-Haq formally accepts a 6-year, \$3.2-billion economic and military aid package offered by the U.S. earlier this year. Following a visit with President Mohammad Zia ul-Haq last week, U.S. Under Secretary of State James L. Buckley reportedly agreed to speed up delivery of 40 F-16's; 6 of the planes will be delivered within a year of the signing of the contract.

POLAND

- Sept. 5—Tass, the Soviet press agency, reports that nearly 100,000 Soviet troops are engaged in military maneuvers in the Baltic region near Poland.
- In Gdansk, Solidarity leader Lech Walesa convenes the 1st national convention of Solidarity; the meeting is the 1st meeting held since World War II by an organization that is not controlled by the Communist party.
- Sept. 8—The Solidarity convention votes to ask the government to hold a national referendum on worker self-management; Solidarity says the union will hold a referendum if the government refuses to do so. The union also offers its support to workers in other East bloc nations who wish to form free and independent trade unions.
- Sept. 9—The Communist party of Poland issues a statement criticizing Solidarity's support for other East bloc independent trade unions.

Tass, the Soviet press agency, says Solidarity's support of independent trade unions "subverts the Polish Communist constitution and system of alliances."

- Sept. 10—Solidarity delegates call on the government to hold free parliamentary elections and free elections for the people's councils

The convention adjourns until September 26.

- Sept. 12—Soviet troops end their maneuvers in the Baltic region.

- Sept. 18—Polish newspapers and radio stations make public a statement received last week from Soviet Ambassador Boris I. Aristov, in which the Soviet Communist party warns the Polish government of "growing anti-Sovietism in Poland" and demands "that an end be put to the anti-Soviet impudence in Poland."

- Sept. 21—Chairman of the Soviet State Planning Commission and Deputy Prime Minister Nikolai K. Baibakov arrives for talks on Soviet economic assistance to Poland.

Prime Minister General Wojciech Jaruzelski meets with Warsaw Pact General Anatoly I. Gribkov of the Soviet Union.

- Sept. 22—In a nationwide television address, senior Politburo member Stefan Olszowski warns that the Soviet Union may impose economic sanctions on Poland if

Solidarity's "anti-Soviet" activities are not stopped.

- Sept. 23—Solidarity leaders offer to compromise their demand for free election of factory managers by continuing to allow the government to appoint managers of state enterprises if the workers are given the right to veto the appointments.

- Sept. 25—Parliament votes to give workers' councils more autonomy in selecting directors of certain industries; their concession is based on the compromise agreement proposed by Solidarity leaders. The entire union membership must approve the agreement.

- Sept. 26—Solidarity opens the 2d phase of its national convention.

SAUDI ARABIA

(See *U.S., Foreign Policy*)

SOUTH AFRICA

(See *Intl. U.N.; Angola; Namibia*)

U.S.S.R.

(See also *Intl. U.N.; Angola; Egypt; Poland; U.S., Foreign Policy*)

- Sept. 2—In Washington, D.C., U.S. Senator William Proxmire (D., Wisc.) makes public a July 8 statement by Deputy Director of the U.S. Defense Intelligence Agency Major General Richard X. Larkin in which Larkin says that the Soviet Union's prospects for meeting its oil production targets by 1985 appear "highly favorable." Larkin's testimony contradicts an earlier U.S. Central Intelligence Agency report that Soviet oil production would begin to decline in 1 to 3 years.

- Sept. 7—In a luncheon speech honoring Vietnamese Communist party leader Le Duan, Soviet President Leonid I. Brezhnev assures the West that the Soviet Union will have a "proper counterbalance" to any new nuclear weapons developed by U.S. or NATO forces.

- Sept. 14—In response to U.S. Secretary of State Alexander M. Haig Jr.'s speech in West Berlin in which he suggested that the Soviet Union was supplying toxic chemicals for use in warfare in Afghanistan, Cambodia and Laos, Tass, the Soviet press agency, calls the charges "libelous and groundless."

- Sept. 28—The government signs a contract with 2 West European firms, Mannesmann AG of West Germany and Creusot-Loire of France, to purchase 22 gas compressor stations, valued at \$956.5 million, for its natural gas pipeline running from Siberia to West Europe.

UNITED KINGDOM**Great Britain**

- Sept. 2—The Central Statistical Office reports that the 1980 balance of payments showed a surplus of \$5.88 billion; in 1979 the trade deficit was \$1.58 billion.

- Sept. 14—Prime Minister Margaret Thatcher dismisses Education Secretary Mark Carlisle and Deputy Foreign Secretary Sir Ian Gilmour from the Cabinet; both men are critical of Thatcher's economic policies.

- Sept. 16—Liberal party delegates vote to form an electoral alliance with the newly formed Social Democratic party.

- Sept. 27—Labor party electoral college members reelect Denis Healey by a narrow margin as the deputy leader of the party over his opponent, Tony Benn.

UNITED STATES**Administration**

- Sept. 3—Secretary of Agriculture John R. Block announces that he is ordering a 15 percent reduction in wheat

planting for 1982 in an effort to stabilize wheat prices.

Sept. 4—The Federal Aviation Administration (FAA) announces that it will hire 1,500 replacements for striking air traffic controllers for a 2-year-term; the hiring is expected to be completed by December 1.

Sept. 9—Federal Aviation Administrator J. Lynn Helms reports that U.S. commercial aviation flights will remain at 75 percent of normal for most of 1982.

Sept. 10—President Ronald Reagan orders his Cabinet to cut an additional \$75 billion from the fiscal 1983 and 1984 budgets.

The Federal Bureau of Investigation reports that its index of serious crimes increased 9 percent in 1980.

Sept. 11—Secretary of the Interior James G. Watt reports a change in U.S. policy: the federal government can no longer preempt water for its own use and must follow state water laws unless Congress has made specific exceptions.

Sept. 21—Secretary of Health and Human Services Richard S. Schweiker issues new regulations that will end benefits for some 10 percent of welfare recipients, saving the U.S. some \$1.1 billion in fiscal 1982.

The 9-member presidential commission on the former hostages recommends that the U.S. pay each American hostage \$12.50 per day for each day spent in captivity in Iran.

Sept. 22—The Depository Institutions Deregulation Committee, created by Congress in 1980, votes to permit an increase of 0.5 percent in interest rates to some 40 million people holding passbook savings accounts; on November 1 the interest rate ceiling will rise to 6 percent for savings bank accounts and to 5.75 percent for commercial bank accounts.

Sept. 24—In a nationally televised speech, President Reagan asks for support for his budget-balancing program; he proposes cutting \$13 billion more in spending and closing tax loopholes to gain some \$3 billion in increased tax revenue in fiscal 1982; he has revised his fiscal 1982 budget deficit estimate to \$43.1 billion.

Sept. 25—President Reagan says that he has "cancelled" a Department of Agriculture proposal to reduce the amount of the food and the nutrition standards for the 35-year-old federally subsidized school lunch program.

Sept. 28—Speaking to the International Association of Chiefs of Police in New Orleans, President Reagan proposes revisions of legal codes to make it easier to hold and convict criminals.

Sept. 29—President Reagan issues an executive order authorizing the Coast Guard to "stop and board ... vessels" on the high seas and to force vessels carrying illegal immigrants to turn around; the order is aimed at Haitians "at the moment."

Sept. 30—Overruling the Postal Rate Commission, the U.S. Postal Service raises its rates, effective November 1; the cost of a 1st class domestic stamp will go from 18 cents to 20 cents.

Civil Rights

Sept. 9—Vernon E. Jordan Jr. resigns as president of the National Urban League.

Economy

Sept. 4—The Labor Department reports that its producer price index rose only 0.3 percent in August.

Sept. 18—The Commerce Department reports that the gross national product (GNP) declined at an annual rate of 0.5 percent for the 3d quarter of 1981; this is a preliminary figure.

Sept. 21—Many major banks reduce their prime lending rate to 19.5 percent.

Sept. 24—The Labor Department reports that its consumer price index rose 0.8 percent in August.

Sept. 28—The Commerce Department reports that the U.S. trade deficit rose to \$5.6 billion in August.

Stock exchanges all over the world suffer almost record declines, with the Tokyo exchange experiencing a record drop before rebounding; the London market also records its 3d sharpest one-day decline. United States and Canadian markets fall sharply but rise subsequently to show strong gains by the day's end.

Sept. 30—The Commerce Department reports that its index of leading economic indicators fell 0.5 percent in August.

Foreign Policy

(See also *Intl*, *IBRD*, *Middle East*; *India*; *Israel*; *Namibia*; *U.S.S.R.*)

Sept. 1—Administration sources report that on August 21 director of the Arms Control and Disarmament Agency Eugene V. Rostow informed Aleksandr A. Bessmertnykh, the Soviet chargé d'affaires in Washington, D.C., that future U.S.-Soviet arms control accords will have to include direct means of verification, like on-site inspection.

Sept. 3—Former President Jimmy Carter ends a 10-day trip to China.

Sept. 4—State Department spokesman Dean Fischer reports that the Soviet Union failed to provide information about the number of troops involved in maneuvers near Poland as was required under the 1975 Helsinki accords.

Sept. 10—President Ronald Reagan and Israeli Prime Minister Menachem Begin conclude 2 days of talks in Washington, D.C.; Secretary of State Alexander M. Haig Jr. says that the U.S. and Israel have agreed on strategic collaboration and joint planning to oppose Soviet intervention in the Middle East.

Sept. 12—In a West Berlin speech, Secretary of State Haig claims that the U.S. has "physical evidence" that "potent mycotoxins," organic poisons highly toxic to man and animals, were used in Southeast Asia in violation of international agreement. The U.S. has expressed its concern to the Soviet, Vietnamese and Laotian governments.

Secretary Haig meets with Saudi Arabian Crown Prince Fahd and tells him that the Reagan administration expects the sale of Awacs (Airborne Warning and Control System) planes to Saudi Arabia to be approved.

Sept. 14—At a news conference in Bonn at the conclusion of a 3-day European visit, Secretary Haig says that the U.S. is determined to pursue arms reduction and will consult with its European allies.

Sept. 16—Vice President George Bush joins Mexican President José López Portillo in Mexico City to celebrate the 171st anniversary of Mexican independence.

Sept. 17—President Reagan meets with Mexican President López Portillo and Canadian Prime Minister Pierre Elliott Trudeau at the dedication of the Gerald R. Ford Museum in Grand Rapids, Michigan.

Sept. 21—Addressing the U.N. General Assembly, Secretary Haig asks 3d world countries to rely on free markets and private capital for development purposes.

Sept. 22—In a letter to Soviet President Leonid Brezhnev, President Reagan says he hopes that high-level discussions, about to begin, will bring about a "framework of mutual respect."

Sept. 23—Secretary Haig and Soviet Foreign Minister

Andrei A. Gromyko meet at the U.N. to discuss divisive issues.

- Sept. 24—The U.S. and the Soviet Union announce that new talks aimed at reducing medium-range nuclear missiles in Europe will begin in Geneva on November 30.
 Sept. 28—Secretary Haig and Soviet Foreign Minister Gromyko meet in New York for "frank, businesslike and serious" talks on U.S.-Soviet issues; they agree to meet again early in 1982.

Secretary of Defense Caspar Weinberger tells the Senate Armed Services Committee that U.S. arms sales to Saudi Arabia, including the projected sale of Awacs, will make "an important contribution" to "our efforts to create a strategic consensus" in Southwest Asia.

Saudi Arabian Oil Minister Sheik Ahmed Zaki Yamani says that his country's oil pricing policies will not change if the U.S. Congress rejects the proposed sale of Awacs to Saudi Arabia.

- Sept. 29—The Defense Department releases a 99-page evaluation of Soviet military power that indicates the current and growing capabilities of the Soviet military.
 Sept. 30—The State Department reports an agreement between the U.S. and Haiti for cooperation to halt the flow of illegal Haitian immigrants into the U.S.

Labor and Industry

- Sept. 3—President Reagan addresses the United Brotherhood of Carpenters and Joiners convention in Chicago; he says that he dismissed the striking air traffic controllers because they broke the law.
 Sept. 19—Some 240,000 members of organized labor, civil rights and other protest groups rally in Washington, D.C., in a Solidarity Day protest over President Ronald Reagan's cuts in job safety programs and social programs; the rally was organized by the AFL-CIO (American Federation of Labor and the Congress of Industrial Organizations).

Legislation

- Sept. 9—Congress reconvenes after its summer recess.
 Sept. 21—The Senate votes 99 to 0 to confirm Sandra Day O'Connor as an Associate Justice of the Supreme Court.
 Sept. 29—The Senate votes 64 to 34 to complete congressional action to raise the federal temporary debt limit to \$1.079 trillion, the 1st time in history that the debt limit has gone over \$1 trillion.

Supreme Court

- Sept. 9—Ruling 7 to 0 in an unsigned decision, the Supreme Court refuses to review a lower court ruling barring primary voting on September 10 in 3 New York City boroughs because New York's redistricting plan did not have the requisite approval of the U.S. Justice Department.
 Sept. 12—The Justice Department approves the holding of New York City's primary elections September 22.
 Sept. 25—Sandra Day O'Connor becomes the 102d justice and the first woman to serve on the Supreme Court.

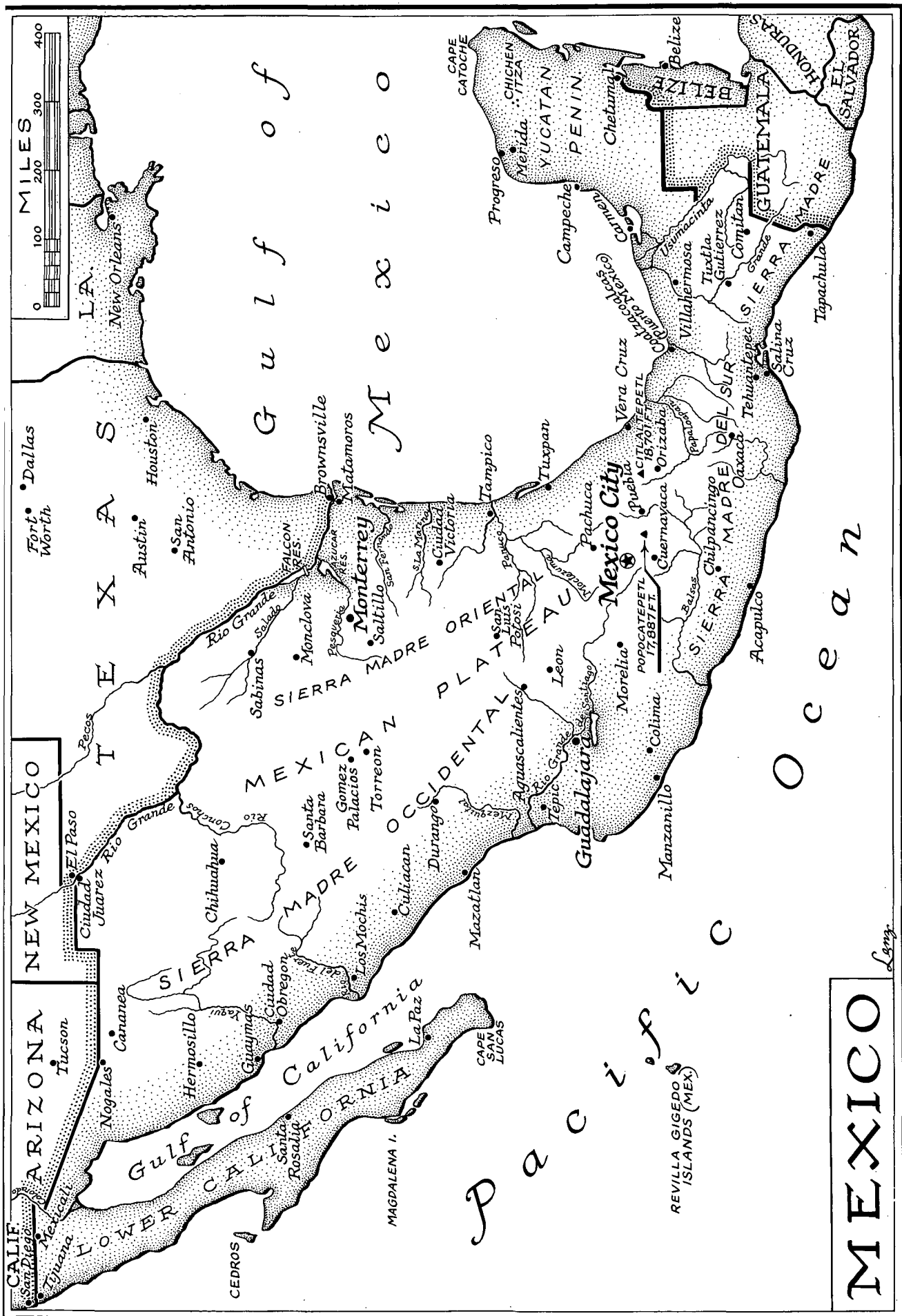
VATICAN

- Sept. 15—Pope John Paul II issues his 3d encyclical to Roman Catholic bishops; it is entitled "On Human Work."
 Sept. 24—An Italian court investigating the assassination attempt on Pope John Paul II says that the convicted would-be assassin, Mehmed Ali Agca, was part of a conspiracy; the court is unable to identify the conspirators or their motives.

YUGOSLAVIA

- Sept. 25—Kosovo province prime minister Bahri Oruchi and the province's parliamentary president Dusan Ristic resign their posts; no explanations for the resignations are given. ■

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